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FOREIGN AGRICULTURAL ECONOMIC REPORT NO. 28

THE WORLD AGRICULTURAL SITUATION

Review of 1965 and Outlook for 1966

U.S. DEPARTMENT OF AGRICULTURE
ECONOMIC RESEARCH SERVICE
FOREIGN AGRICULTURAL SERVICE
Washington, D.C.

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FIVE REGIONAL REPORTS

TO BE ISSUED

More detailed statements of the situation by regions will be issued in five publications in February and March 1966. Separate reports will be presented on each of the following: Western Hemisphere, Western Europe, Eastern Europe and USSR, Far East, and combined Africa and West Asia. Publications will be complete with text, tables, and charts.

(Approved by Outlook and Situation Board, December 6, 1965.)

1966 WORLD AGRICULTURAL SITUATION

HIGHLIGHTS



Total world production of agricultural products in 1965 was about 1-1/2 percent higher than in 1964, a smaller gain than in each of the previous 2 years. Food production--dominated by the cereal crop, which increased only 1 percent, rose significantly less than the rise in world population. ^{1/} While production in the Western Hemisphere and in Western Europe rose faster than population, the reverse was true in most of the rest of the world. Total production fell in Eastern Europe and the USSR, dropping output per capita significantly. In Asia, including China, total agricultural output was larger than in 1964, but output per person declined.

creased by about 3 percent above 1964. Cyclically high pork production in Western Europe apparently moderated the upward trend in beef prices. Argentine exports were down following several years of relatively high exports. A severe drought in Australia did not depress 1965 beef exports, but will likely cause a decline in 1966. In the Soviet Union, the improved feed situation in 1964 assisted in the recovery of some of the losses experienced during 1963 with cattle and cow numbers on January 1, 1965, at a new high. However, a widespread outbreak of foot-and-mouth disease in the USSR is ex-

Throughout the northern part of Europe--from Ireland to the western part of the Soviet Union--the growing season was unusually cool and wet, and though record or near-record output was recorded for most cereal crops, quality was poorer. Output of most other important agricultural crops was also higher. Conversely, Soviet Union production of most crops was below 1964. Wheat production was probably only little better than the very poor 1963 crop due mainly to unfavorable weather conditions throughout the growing season in the eastern spring grain region. As a result, the Soviet Union in 1965 purchased for delivery during 1965/66 over 9.8 million metric tons of wheat from Canada, Argentina, and France.

Although a restricted beef supply continued to hold beef prices at high levels, cattle numbers in Western Europe (mainly dairy herds) in-

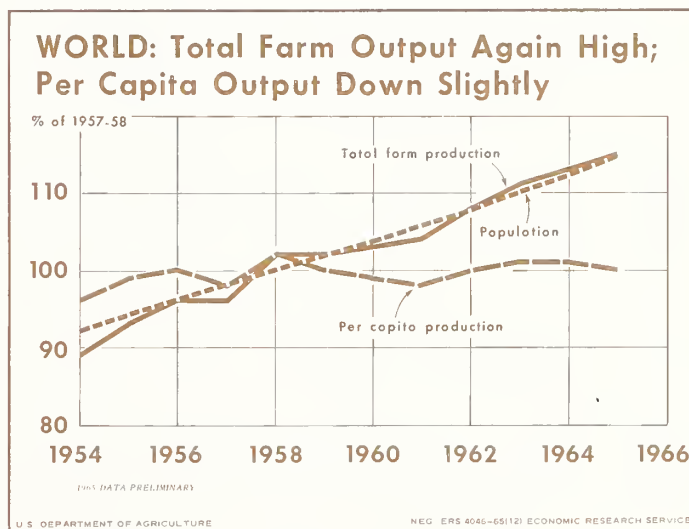


Figure 1

^{1/} The indexes of agricultural production and food production used in this report are not directly comparable with indexes previously published by ERS. The indexes used herein are constructed from regional commodity production totals minus feed, weighted by regional prices. Also, the estimates of production of rice, corn, sugar, and cotton have been adjusted to refer as closely as possible to calendar years.

Economic Research Service
U.S. Department of Agriculture

Washington, D. C.

January 1966

ERRATA

Foreign Agriculture Economic Report No. 28, "The World Agricultural Situation," dated January 1966

Page 8 - Column 2, paragraph 3, line 2

Reads "...rising about 1 percent above 1964's output. However, per capita production fell nearly 1 percent below that of the previous year.

Should read "...rising about 2 percent above 1964's output. Per capita production rose nearly 1 percent above the previous year.

Column 2, paragraph 4, line 3

Reads "...was up 2 to 3 percent...

Should read "...was up about 1 percent...

Page 9 - Column 1, paragraph 1, line 2

Reads "...\$29.4 billion in 1963,...

Should read "...\$29.4 billion in 1964, compared with \$27.7 billion in 1963,...

Page 12 - Figure 4

Title reads "Terms of Trade Improving for Both...

Should read "Terms of Trade Steady for Both...

Page 32 - Column 1, paragraph 3, line 2

Reads "...estimated \$6,096 billion,...

Should read "...estimated \$6.1 billion,...

Page 39 - Column 1, paragraph 3, line 3

Reads "...about 1 percent. However, per capita farm production fell 1 percent below that of the previous year and...

Should read "...about 2 percent. Per capita farm production rose 1 percent above the previous year but...

WORLD GEOGRAPHIC REGIONS



Eastern Europe
and the U.S.S.R.



West
Asia



THESE ARE THE REGIONS THAT ARE USED IN THIS REPORT

pected to have some impact on livestock production in 1966.

In the Far East and Asia, there was a sharp downturn in cereal production in India from the 1964/65 record level, resulting in import requirements at least as large as in 1964/65. In Mainland China, production in 1965 probably was little different from that in 1964 and imports of cereals from the West will continue at a high level. On the other hand, Indonesia's 1965 food crop outturn, including rice, was well above the rather poor 1964 harvest.

African agriculture made generally satisfactory gains in 1965. Egypt produced record crops of cotton and rice. Eastern and Southern Africa, however, had rather severe drought conditions which imposed hardships on numerous localities. Under the impact of the 1964/65 record cocoa bean crop in Africa, world prices of this important export crop dropped to extremely low levels in 1965. However, they recovered somewhat by the end of the year. Cocoa production in 1965/66, although estimated at 6 percent below the previous year, will be the second largest on record.

In the Western Hemisphere, agricultural production was substantially above the 1964 level. The United States and Canada had excellent crops. In the United States, crop harvests last year brought a sharp advance in output as crop yields per acre recovered from the drought-depressed levels of 1964. With virtually no change in the acreage used for crops, output of food and fiber crops was about 7 percent larger than in 1964 and 4-1/2 percent above the previous high in 1963. However, there was a slight decline in the output of livestock and livestock products. In Latin America, most countries experienced a relatively good year.

For the year ended June 30, 1965, U.S. agricultural exports, at \$6.1 billion, were slightly above the record level of the previous year as shipments to most markets increased. Japan continued to be the largest U.S. market, taking a record \$750 million. Exports to the

countries of the European Economic Community (EEC) were also slightly above the previous year's level. There were increased U.S. exports of feedgrains, oilseeds and oilseed products, fruits and preparations, animal fats, and hides and skins.

World agricultural prices declined moderately during 1965. This decline is evidenced by several price indexes and by the individual price movements of leading export commodities in world trade, such as wheat, sugar, cotton, and coffee.

The international spotlight, was on Brussels, Geneva, Moscow, and Washington.

In Brussels, the movement towards a common agricultural policy for the EEC was halted when France, a member nation, recalled its representative to the EEC Council in late June.

In Geneva, discussions on agriculture in the Kennedy Round of negotiations, designed to reduce barriers to international trade, moved ahead slowly. During September, most of the major agricultural trading countries--except for EEC members--submitted lists of agricultural products to be included in the negotiations. These offers are currently being discussed. Problems associated with international trade of cereals, meat, and dairy products continued to be discussed within special GATT committees.

The United Nations' Conference on Trade and Development (UNCTAD) was formally established as a permanent part of the United Nations by General Assembly Resolution on December 31, 1964. The main emphasis of the UNCTAD is to generate action which will further expand trade and development of the developing countries.

In Moscow, the first major economic program under the new Soviet leadership was a new agricultural policy designed to lift output from the low levels of the past half decade.

Table 1.--Indices of world agricultural production, total and per capita by regions, calendar years 1960 to 1965 1/

(1957-59 = 100)

Region	Total					
	1960	1961	1962	1963	Preliminary 1964	Estimates 1965 <u>2/</u>
Canada	109	96	119	128	119	130
United States	106	107	108	112	111	116
Latin America	104	110	112	116	114	123
Western Europe	108	107	112	116	115	117
Eastern Europe	107	104	104	110	115	111
Soviet Union	101	107	107	101	117	108
Far East <u>3/</u>	110	113	114	118	122	123
Western Asia	100	107	114	119	122	125
Africa	109	106	114	116	119	120
Australia-N. Zealand	108	110	117	122	126	119
World <u>4/</u>	103	104	108	111	113	115
Region	Per capita					
	1960	1961	1962	1963	Preliminary 1964	Estimates 1965 <u>2/</u>
Canada	104	90	109	116	106	113
United States	103	102	101	104	101	104
Latin America	98	101	100	101	97	101
Western Europe	106	104	108	111	109	110
Eastern Europe	105	101	101	106	110	105
Soviet Union	97	101	100	93	106	96
Far East <u>3/</u>	105	106	104	106	107	105
Western Asia	95	99	103	104	103	104
Africa	104	99	104	104	104	103
Australia-N. Zealand	104	103	108	110	111	103
World <u>4/</u>	99	98	100	101	101	100

1/ Revised series. The index for Canada is that computed by the Dominion Bureau of Statistics, with the base period shifted. The index for the United States is the official ERS index of farm output. For Western Europe, Eastern Europe and Soviet Union the indices have been computed by ERS, using regional commodity production totals and West European regional price weights. For other regions the indices have been computed by ERS using production data and price weights for individual countries and averaging the country indices together in proportion to production in the base period. Production statistics for corn, cotton, rice, and sugar published by FAS have been adjusted as closely as possible to calendar years. FAS statistics on other commodities have been used without adjustment and have been supplemented by data from various sources for commodities and countries not covered by FAS estimates of production.

2/ These estimates for 1965 may be revised in the regional Agricultural Situation reports by using later data.

3/ Excluding Communist Asia.

4/ Including estimates for Communist Asia.

This program--announced in March 1965--features higher prices for foodgrains and livestock products purchased by the State, large increases in capital investment and deliveries of fertilizer and machinery, reduced and fixed State purchase plans with higher prices for purchases above these levels, a more permissive attitude toward production on private garden plots, and a wide variety of other output-enhancing measures. This program, if implemented, may have a substantial impact on output.

In Washington, the U. S. Congress enacted the Food and Agriculture Act of 1965 which extends the feed grain and wheat programs for 4 years and provides a similar program for cotton. Under these programs, prices of these commodities will be supported at levels near those prevailing in world markets and farm income will be maintained through direct payments. This legislation also authorizes a cropland adjustment program designed to encourage the diversion of cropland from the production of unneeded commodities to conservation uses for periods of 5 and 10 years.

WORLD SITUATION



PRODUCTION AND SUPPLY

World output of major farm commodities in 1965 varied widely from the year before. Soybeans, up 16 percent, coffee, up 51 percent, and olive oil, up 17 percent, dominated commodities showing gains. Principal among those with declines were potatoes, down 7 percent, sugar, down 3 percent, tobacco, down 4 percent, apples and pears, down 9 percent, and cocoa beans, down 6 percent.

World wheat production in 1965/66 is expected to be only slightly below the record harvest of the previous year. Rice production is expected to be at about the same level as last year. World output of feed grains will likely be up for 1965/66 due largely to record crops of corn and sorghum and an upturn in the production of oats. The output of barley declined about 4 percent.

Overall production of vegetable oil crops set new records in 1965. Soybeans increased 16 percent and rapeseed 26 percent. Flaxseed production increased by 10 percent and olive oil by 16 percent. Production of peanuts and sunflower seed declined 3 percent, and copra output was smaller. Cottonseed approximated the previous year's high level.

The lag of world sugar output behind consumption in recent years was reversed in 1964/65, and in 1965/66 production may exceed consumption by about 5 million short tons. Much of the increase is due to expanded

production in many of the developing countries and to a recovery to more normal output in Cuba. The increased output in many countries was in response to favorable prices during 1963 and 1964. However, because of the large supplies, 1965 prices dropped sharply to their lowest point since the end of World War II. Production is expected to continue high in 1966 and so prices will continue low.

Cotton production is estimated at a record high for 1965/66 as output abroad continues to expand. World trade is expected to remain at a fairly high level in 1965/66, but the U.S. share will decline since foreign supplies are larger and mills will likely continue to maintain low stocks. However, U.S. exports should increase during the last half of calendar 1966 as markets adjust to the new U.S. cotton legislation.

The output of coffee during 1965/66 is expected to be about 51 percent above last year's crop and the largest since 1959/60. World exportable production, estimated at 63 million bags, is well above world import requirements. Brazil and Colombia will add considerable quantities to their already large supplies and stocks in some of the larger producing countries of Africa are also beginning to accumulate. Despite large supplies, prices have remained relatively firm due largely to the influence of the International Coffee Agreement.

Tea production continued to increase in 1965 while the output of cocoa in 1965/66 is

Table 2.--Estimated world production of selected agricultural commodities, average 1955/56-1959/60, and annual 1962/63 to 1965/66

Commodity	Unit	Average 1955/56- 1959/60	1962/63	1963/64	1964/65	1965/66 1/	Percent change 1964/65 : to : 1965/66	5-year av. to 1965/66
Wheat	:Mil. m.t.	217	238	227	253	245	-3	13
Rye	:Mil. m.t.	37	32	30	32	33	3	10
Rice, rough 3/4/	:Mil. m.t.	218	237	246	253	253	0	16
Corn 4/	:Mil. m.t.	166	191	206	195	208	6	25
Barley	:Mil. m.t.	71	85	89	93	89	-4	25
Oats	:Mil. m.t.	59	49	46	42	45	5	-25
Sorghum & millet 5/	:Mil. m.t.	28	34	35	34	37	7	30
Sugar, centrifugal	:Mil. m.t.	45.0	49.8	54.3	65.3	63.5	-3	41
Sugar, non-cent 6/	:Mil. m.t.	6.6	6.4	8.0	8.4	8.5	1	28
Fruits, citrus	:Mil. m.t.	7/ 14.5	15.2	16.6	18.2	18.8	3	30
Apples & pears 8/	:Mil. m.t.	13.0	16.7	17.4	18.0	16.4	-9	26
Potatoes 9/	:Mil. m.t.	232	217	239	246	229	-7	-1
Dry beans 10/	:1,000 m.t.	4,014	4,513	5,035	4,990	4,808	-4	20
Dry peas 11/	:1,000 m.t.	603	585	581	567	499	-12	-17
Hops 12/	:1,000 m.t.	71	80	92	93	96	3	36
Soybeans	:Mil. m.t.	24.3	28.3	28.3	28.1	32.5	16	34
Peanuts	:Mil. m.t.	13.4	14.7	15.2	16.3	15.8	-3	18
Cottonseed	:Mil. m.t.	19.3	20.8	21.8	22.8	23.0	1	19
Flaxseed	:1,000 m.t.	3,356	3,558	3,469	3,345	3,683	10	10
Sesame seed	:1,000 m.t.	1,463	1,513	1,505	1,500	1,515	1	4
Castor beans	:1,000 m.t.	498	611	683	835	706	-15	42
Sunflower seed	:1,000 m.t.	5,129	6,778	6,107	7,643	7,442	-3	45
Rapeseed	:1,000 m.t.	3,481	3,728	3,451	3,591	4,533	26	30
Olive oil	:1,000 m.t.	13/ 990	939	1,691	974	1,134	16	15
Palm oil	:1,000 m.t.	1,265	1,238	1,261	1,270	1,275	0	1
Palm kernel oil	:1,000 m.t.	406	367	372	376	372	-1	-8
Coconut oil	:1,000 m.t.	2,074	2,109	2,195	2,209	2,200	0	6
Butter 14/	:1,000 m.t.	7/ 4,581	4,899	4,944	5,035	5,080	1	11
Milk 15/	:Mil. m.t.	7/ 263.4	283.8	282.2	286.6	293.7	2	12
Meats 16/	:Mil. m.t.	7/ 44.5	49.9	51.5	50.9	51.0	0	15
Eggs 17/	:Mil. m.t.	7/ 10.8	12.2	12.3	12.6	12.8	1	19
Lard	:1,000 m.t.	7/ 3,080	3,252	3,234	3,035	3,084	2	0
Tallow & greases 4/	:1,000 m.t.	7/ 2,930	3,307	3,665	3,856	3,833	-1	31
Tobacco	:1,000 m.t.	3,864	3,937	4,357	4,652	4,481	-4	16
Coffee	:Mil. bags 18/	58.3	67.4	70.7	51.7	78.2	51	34
Tea	:1,000 m.t.	866	1,026	1,039	1,086	1,096	1	27
Cocoa beans	:1,000 m.t.	887	1,157	1,243	1,514	1,420	-6	60
Cotton	:Mil. bales 19/	43.9	47.8	50.2	52.0	52.5	1	20
Wool	:1,000 m.t.	7/ 2,443	2,586	2,640	2,629	2,526	-4	3
Jute	:1,000 m.t.	7/ 2,087	2,388	2,421	2,322	2,436	5	17
Sisal	:1,000 m.t.	532	635	665	698	726	4	31
Henequen	:1,000 m.t.	135	171	151	158	158	0	17
Abaca	:1,000 m.t.	117	101	118	112	109	-2	-3

Note: Except for rice, corn, and sorghum & millet, the data are as published by FAS. Statistics for sorghum & millet are official estimates for 9 countries compiled by ERS. Statistics refer either to calendar years corresponding to the first year shown in the column heading or to crop years beginning (except for sugar) in the first year shown. For livestock products, rice, corn, sorghum & millet, potatoes, hops, oilseeds (except cottonseed), oils (except olive oil) and tobacco, tea, jute, and hard fibers the data refer to calendar years. For coffee and cocoa beans the data refer to crop years beginning July to October of the first year shown. For cotton and cottonseed the data refer to crop years beginning August 1 of the first year shown. For sugar the data refer to production in national sugar campaigns beginning between May 1 of the first year and April 30 of the second year shown in the column heading. For other commodities, harvests in the Northern Hemisphere beginning in the first year shown are combined with Southern Hemisphere harvests which immediately follow.

1/ Preliminary. 2/ Computed from unrounded data. 3/ Includes Communist Asia and USSR. 4/ FAS estimates adjusted to calendar years. 5/ 9 countries; calendar years. 6/ Selected countries only. 7/ 1956-60 average. 8/ Dessert and cooking; 20 countries. 9/ 32 countries. 10/ 30 countries. 11/ 19 countries. 12/ 21 countries. 13/ 1954/55-1957/58 average. 14/ Product weight; includes ghee. 15/ 36 countries. 16/ 44 countries; excludes poultry and variety meats. 17/ 38 countries. 18/ 60 kg. bags of 132 pounds each. 19/ Bales of 480 pounds net.

expected to be the second largest on record. The consumption of both tea and cocoa continues to rise with consumption of the latter stimulated by very low prices.

Tobacco production in 1965 was about 4 percent below the previous year's record crop as the output of both flue-cured and oriental declined. Free World exports of leaf tobacco, at record levels in 1964, were down in 1965.

Output of livestock products was up in 1965. Meat production turned upward due to increased pork output and the continued upward trend in poultry meat production. Egg production was also higher. World milk production in 1965 is estimated 2 percent higher than in 1964. The production of animal fats declined slightly, due mainly to reduced lard output in the United States.

Because of prospects for increased pork production, for an increase in world cattle numbers, and for continued expansion of poultry production, world output of livestock products in 1966 is expected to increase.

Output of agricultural products in 1965 was up substantially from the 1964 levels in all regions of the Western Hemisphere, primarily because of better weather. Output in Canada was near the record high of 1963, and except for untimely rains during the fall harvests a new record would have been set. U.S. production reached a record level as a dozen important field crops set new yield records and the index of crop output per acre reached 124 (1957-59=100). Feedgrain and soybean production were up sharply, but livestock output fell slightly in 1965.

Agricultural production in Latin America, led by Brazil, advanced to a record level in 1965. Coffee production, up sharply from the very poor 1964 crop, accounted for much of the sharp gain in Brazil. Output in many of the other Latin American countries was up moderately. However, in Argentina 1965 production was about

the same as the previous year and in Uruguay and Chile output was down somewhat.

West European and total agricultural production reached a new record, 2 percent above 1964. Relatively good weather during the 1965 growing season resulted in record production. Spain and Portugal, continuing to suffer from drought conditions, were the chief exceptions. An otherwise exceptional year for Western Europe was marred somewhat by rains during the harvest season which significantly lowered grain quality.

Agricultural output in Eastern Europe, on the other hand, was down sharply in 1965 because of adverse weather. Crop output in the Soviet Union was affected by serious drought conditions, similar to those of 1963, which plagued the eastern spring grain regions.

Agricultural output in West Asia continued upward in 1965, rising about 1 percent above 1964's output. However, per capita production fell nearly 1 percent below that of the previous year.

Favorable weather was dominant in Africa where agricultural production in 1965 was up 2 to 3 percent from the previous year. The chief exceptions were the Republic of South Africa and parts of East Africa where drought adversely affected agriculture.

Per capita agricultural output in the Far East, excluding Mainland China, increased slightly in 1965. For Mainland China, total agricultural production in 1965 is estimated to have equaled or slightly exceeded that in 1964; the production of food crops, however, was slightly less than the previous year.

Agricultural production in Australia and New Zealand contrasted sharply in 1965. Widespread drought in Australia curtailed the 1965 harvest, while favorable weather contributed to a production increase in New Zealand.

TRADE

Agricultural imports of 32 principal importing countries totaled \$29.4 billion in 1963, a 6 percent gain. That gain reflects an increased volume of trade, with much of the gain in wheat, and a higher average export price level in 1964, notably in coffee, with the export price index showing a peak in early 1934. In addition, there were higher ocean freight rates.

A substantial part of the increase in 1964 reflected expanded shipments from the United States. In calendar year 1964, U.S. exports rose 14 percent to a record \$6.3 billion and accounted for one-fifth of world agricultural trade.

World trade for 1965 probably continued the gradual upward trend of the past decade. Increases were indicated for wheat, feed grains, coffee, and oilseeds. Trade of dairy products, tobacco, and pork probably totaled less in 1965.

World wheat trade in 1965/66 is expected to reach the record level of 1963/64. The projected gain mostly reflects the large purchases of the USSR from the Free World, and the continuation of the large imports of Mainland China. The USSR, as of December 1, had purchased over 360 million bushels, while Mainland China had bought around 240 million bushels. Exports to the other principal world markets--Western Europe and Japan--probably will not vary much from the high levels of the previous year. About one-fourth of the world wheat trade moves from the advanced countries under special programs (such as P.L. 480 and the Colombo plan) to the developing countries.

World feed grain trade likely will rise further in 1965/66. The continued economic growth in Western Europe and Japan has generated a strong demand for livestock products. Since both Western Europe and Japan are deficit feed grain production areas, their increased need to feed their expanding livestock industries will result in larger world trade. This fiscal year, Eastern Europe may also show increased interest in imports of feed grains.

World trade in oilseeds, oils and fats declined slightly in 1965 from the record tonnage of 1964, reflecting largely the sharp reduction in the movement of animal fats. Increases for the year occurred for U.S. soybeans, tallow, and protein meal. U.S. exports of edible vegetable oils in 1965 continued at record levels of 1964. In addition, 1965 oilseed crops in the Soviet Union and most East European countries apparently were below the previous year. Production and trade of olive oil in the Mediterranean Basin is expected to continue below normal in 1966 because of drought conditions in Spain and other countries. Exports of soybeans from Mainland China amounted to 21 million bushels (570,000 tons) in 1964 and probably continued at about that level in 1965. Trade in 1966 is expected to recover to a near-record level, with exports from the United States again the predominating factor. The major gain will be in the edible oils, particularly U.S. soybean oil. Cottonseed oil exports probably will decline because of reduced supplies in the United States. A slight recovery can be expected in animal fats but marine oils will be down for the fourth successive year. Demand for protein meal will increase because of expanding livestock production and the continued trend toward better feeding rations.

World exports of meats showed little change in 1965. Exports of beef and veal probably totaled 2 million metric tons for 1965; and those of pork, 1.2 million. Pork production in Western Europe was up substantially in 1965 and import requirements were down considerably. Beef production in Western Europe increased slightly in 1965 with demand continuing strong as the result of higher incomes. New Zealand and Australia will continue to export substantial quantities of their beef and veal to Western Europe. In 1964, Australia exported about two-fifths of its beef and veal to that area.

World cotton trade is up this season, but will fall short of the record set in 1963/64 (August-July). The United States is not likely to share in this increased world trade in 1965/66, because of larger production in foreign Free

World countries and consequently greater competition from them. World cotton consumption has increased only 6 percent during the past 5 years while manmade fiber use has gained by over 50 percent. U.S. cotton exports are expected to expand during the 1966 crop year.

Free World and Cuban exports of unmanufactured tobacco in 1964 totaled a record 1,874 million pounds compared with 1,669 million in 1963. The gain resulted from record shipments from many of the principal export countries, including Rhodesia-Zambia-Malawi, India, Greece, Brazil, the Philippines, and Canada. U.S. exports of 510 million pounds (231,000 metric tons) accounted for 27 percent of the world total. However, world tobacco exports in 1965 were probably somewhat below the 1964 record.

The volume of sugar trade in 1964 totaled 19 million short tons, about the same as in the previous year. However, the value declined by 7 percent because of lower prices. In 1965, greater production in many importing countries likely reduced their import requirements. However, increased exports from Cuba to the USSR may keep world trade from falling in 1966.

World coffee exports fell 7 percent in 1964 to 46.8 million bags. However, value increased 27 percent due to higher prices. In 1965, the volume of world coffee trade probably increased somewhat. U.S. coffee imports represent about half of world coffee trade.

U.S. agricultural exports are expected to advance to a fiscal year record of \$6.2 billion in 1965/66, compared with \$6.1 billion in 1964/65. Increases are expected in exports of corn, grain sorghums, wheat, tobacco, soybeans, fruits, variety meats, and hides and skins. Somewhat offsetting the above gains will be declines for cotton, dried beans, dairy products, and lard. Commercial sales for dollars will probably total about \$4.6 billion, a record, compared with \$4.4 billion in 1964/65. Exports under Government-financed programs are expected to total about \$1.6 billion, compared with \$1.7 billion a year earlier. (fig. 2).

The Sixth (Kennedy) Round of trade negotiations--under the auspices of the General Agreement on Tariffs and Trade (GATT)--continued during 1965. Primary objectives are to liberalize trade in both agricultural and industrial products. The United States is participating in these discussions, held in Geneva, under the authority granted the President by the Trade Expansion Act of 1962.

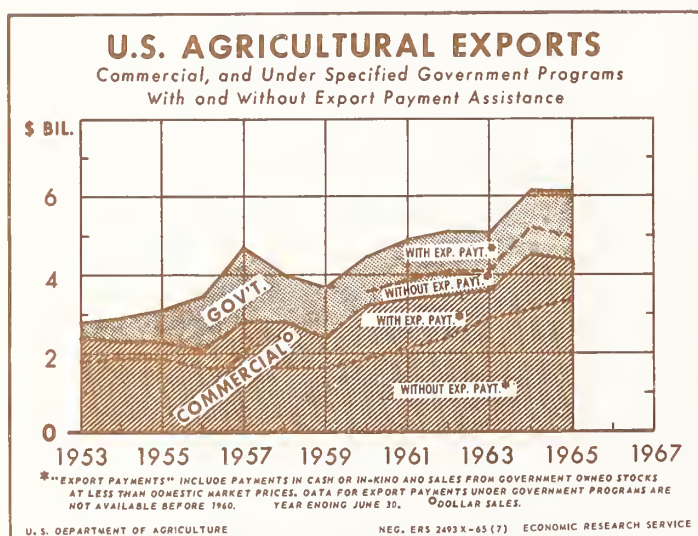


Figure 2

An important phase of the negotiations began on November 16, 1964, when the major trading nations submitted their offers of tariff cuts on industrial products. Early in 1965, several preparatory meetings were held to discuss negotiations for agricultural products. These preparatory discussions led to the submission in June of specific negotiating proposals for a Worldwide Grains Agreement. Subsequently, several meetings were held to explore their content. For other agricultural commodities, discussions were held during May and June in preparation for the scheduled submission of the remaining agricultural offers on September 16, 1965.

In accordance with the internationally agreed negotiating schedule, the United States and a number of other countries submitted their offers on agricultural products. Since then, the negotiating teams in Geneva have been examining these offers. Actual negotiations on both agricultural and industrial products are expected to begin early this year.

Ultimately, the outcome of these negotiations will affect the access of many U.S. farm products to foreign markets including the EEC.

The United Nations Conference on Trade and Development (UNCTAD) during 1965 devoted most of its efforts to organizing and establishing procedures for its institutional machinery. This organization is designed to deal with trade problems of less developed countries as they affect economic growth.

The Trade and Development Board, a 55-member executive body, meets twice a year. It has established 4 subsidiary committees dealing with commodities, manufactures, invisible transactions and financing relating to trade, and shipping. These new committees met during the year.

The Committee on Commodities established a synthetics group which will analyze the competitive relationship between natural products and synthetic substitutes. In addition, it will make recommendations to improve the position of natural products.

At the commodities meeting, the Less Developed Countries (LDC's) emphasized the need for commodity arrangements and other mechanisms to achieve "remunerative prices" for their exports. Mainly interested in expanding their exports, the LDC's recommended that developed countries should restrict production of commodities competitive with LDC products. The Committee on Commodities will explore possibilities of developing a series of guidelines for commodity arrangements. The Committee will also undertake studies on cocoa,

rubber, and fats and oils to determine problems and possibilities involved in organizing trade of these products on an international basis. The Committee will next meet in October 1966.

Concern with the sugar and cocoa situations was expressed in international conferences held in Geneva in the fall of 1965 under the auspices of the UNCTAD. Conferences likely will be held during 1966 to consider possible international commodity agreements for some products. The next general conference of UNCTAD will convene in 1967.

PRICE DEVELOPMENTS

World agricultural prices, as measured by Reuter's index, have declined about 0.4 percent per month for a total of 9 percent since November 1963. This decline was interrupted by a seasonal pickup in the fall of 1964. The Dow-Jones spot index, based on U.S. agricultural prices, portrayed a similar price movement. The index of world agricultural export prices declined gradually from 109 in the first quarter of 1964 to 101 in the third quarter of 1965 further confirming the slide (fig. 3).

The export price index of manufactured goods climbed steadily from an average of 100 during 1958-60 to 106 during the first three quarters of 1965--an average monthly increase of about 0.1 percent. Thus, agricultural export prices, which had compared favorably with export prices of manufactured goods for over a year until mid-1964, dropped slightly below the latter in late 1964. During the third quarter of 1965, the index of agricultural export prices was 101, 5 percentage points below the index of export prices of manufactured goods.

The terms of trade (export price indexes divided by import price indexes) for both developed and less developed areas continued approximately at levels that have prevailed for the past 2 years. During that period, the terms of trade for developed areas were 104 percent of 1958 with little quarterly deviation, and for less-developed areas they stood at 97 percent, again with little fluctuation (fig. 4).

World Agricultural Prices Have Declined From High Point Two Years Ago

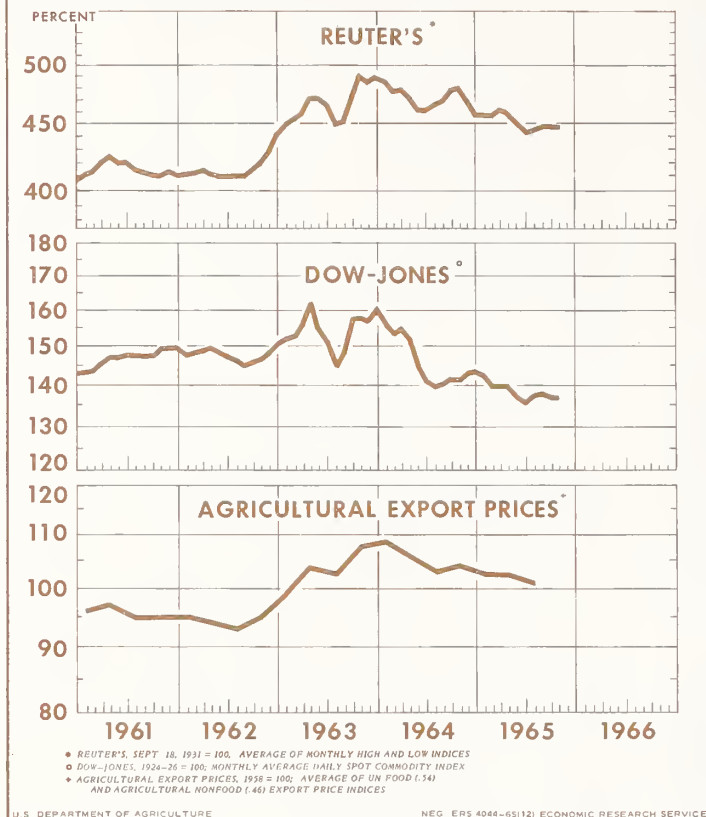


Figure 3

Despite stability of the terms of trade for less developed areas, several tropical commodities from these countries encountered severe price declines on the world market. Worst hit was the world free market sugar price which tumbled to 1.9 cents per pound (June-November 1965 average) from the abnormally high monthly average of 11.6 cents attained in November 1963. In 1964, sugar imparted the downward trend to the price indexes just as it had been responsible for the upward trend in 1963. The average price level for other agricultural commodities was strongly influenced by high coffee prices and was above 1963. In 1965, however, agricultural prices were generally declining.

The average monthly New York cocoa bean spot price dropped to a 19-year low of 11.8 cents per pound in July. A plentiful 1965/66 coffee crop, following the poor 1964/65 Brazilian crop, caused coffee prices to drop. The decline was moderate, however, and current prices are substantially above 1963. Banana and rubber prices also declined but recently have shown some signs of steadying. Wool prices declined until mid-1965 but recovered somewhat, late in the year. Tea prices, on the other hand, had been stable but have declined recently; and copra prices, although no longer at the peak of early 1965, are still higher than in recent years.

Wheat prices in 1965 were down markedly, and cotton prices were down slightly. Those of corn, sorghum grain, and particularly of soybeans were strong but weakened with harvest of the new crop. Soybean oil prices declined considerably but soybean meal prices declined very little. Barley prices continued strong. Rice prices declined for a long time, but increased toward the end of 1965.

Terms of Trade Improving For Both Developed and Underdeveloped Areas

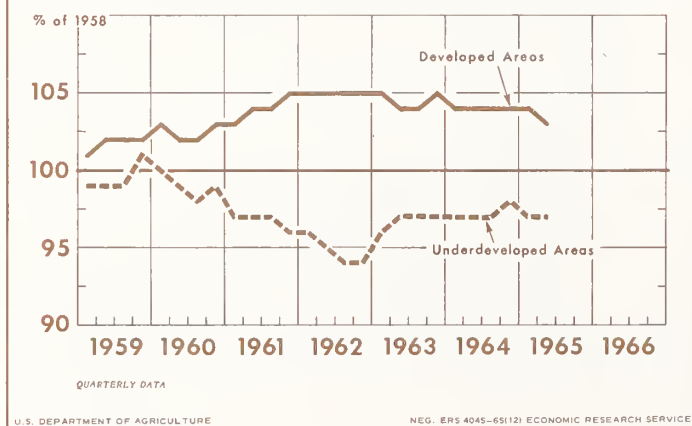


Figure 4

U.S. tobacco prices have been strong, and Rhodesian prices have recovered from their low 1964 levels. Greek and Turkish tobacco prices, on the other hand, recently were weak, but with a smaller 1965 crop are expected to strengthen in 1966. Orange prices were strong in foreign markets. Butter prices weakened recently. The price of tallow was up sharply during most of 1965 but recently was slightly below a year ago. Strong European demand and short supplies have also brought about high beef prices; but beef prices in Europe in recent months have declined as domestic output increased.

During the third quarter of 1965 the prices of leading U.S. agricultural import commodities averaged 8.7 percent below one year earlier. Conversely, leading U.S. agricultural export commodities averaged 2.5 percent above one year earlier. During the fourth quarter, however, most of the leading U.S. export commodities--all crops--face some price weakness.

CAPITAL FLOW AND ECONOMIC AID

Total international reserves of the world's 25 industrial countries (International Monetary Fund classification) declined \$475 million during the first half of 1965 to a total of \$51.8 billion on June 30. However, reserves were still appreciably above the \$50.5 billion recorded at the beginning of 1964. Reserves in less developed areas totaled \$10.5 billion as of June 30, 1965; up \$585 million since January 1. Reserves in the EEC totaled \$22.2 billion; up almost \$200 million since January 1.

In recent years, the most common method of measuring the U.S. balance-of-payments has been the balance on regular transactions. On this basis, the payments deficit was \$3.1 billion in 1964. The deficit rose sharply in the last part of 1964 because of an increase in the net outflow of U.S. private capital. To reduce this outflow, a series of corrective balance-of-payments measures were announced by the

President in February. The Interest Equalization Tax (IET) was immediately extended to cover bank loans abroad to developed countries; extension of the IET authority to the end of 1967 was later enacted and expanded to include nonbank credits. Bank and nonbank financial institutions were requested to limit new credits to foreigners and private nonfinancial corporations investing abroad were requested to reduce net dollar costs of their foreign operations. As a result, capital outflow fell significantly in the first 9 months of 1965 and a net inflow of capital was recorded for the second quarter. During the first 9 months of 1965 the payments deficit totaled \$939 million after allowance for seasonal factors, compared to \$1.4 billion for the comparable period in 1964.

Official U.S. monetary reserves dropped by \$950 million in the first 9 months of 1965. Holdings of foreign convertible currencies increased, but the gold stock continued to decline reflecting a \$259 million payment of the gold portion of an increased U.S. subscription to IMF and gold purchases by official foreign dollar holders. The gold stock of the United States totaled \$13.9 billion as of September 30, 1965, having declined by \$1.5 billion since the end of 1964.

Net economic aid (including flows from public and private sources) and contributions to multilateral agencies from the United States, Canada, Japan, 12 West European countries, and the USSR reached a record high of an estimated \$9.6 billion in 1964. This was a gain of 8 percent over 1963. The increase was due entirely to a rise of one-fourth in private capital flows. It was the highest level of private flows since 1957. The United States provided most of the increase, supplying two-fifths of the total private flow. Net aid from public sources declined, although only Italy and the United States reduced their expenditures. The decline in the U.S. share was due mainly to large repayments of loans and differences in data reporting methods. Since total new aid commitments made by governments in 1964 were higher than ever before, it is

expected that disbursements of public aid will increase. Contributions to multilateral technical assistance and financial agencies also declined slightly in 1964. However, the actual flow from the multilateral agencies rose to a record level, increasing 40 percent over 1963.

Of total public aid, expenditures on technical assistance continued to increase in 1965 while financial grants declined and loans increased.

SITUATION

By Commodities



GRAINS

World grain harvests in 1965 (including harvests of small grains and rice to be completed early in 1966) totaled about one percent more than in 1964. Wheat production, while off from last year, is still at a relatively high level, exceeding 9 billion bushels for the second year in a row. Barley was the only other crop down from 1964. An increase in the Mainland Chinese rice crop offset smaller harvests elsewhere in Asia, leaving the world total practically unchanged; other grains were up. Oats and rye show increases of 5 and 3 percent respectively, and production of sorghum and millet in 9 important countries increased 7 percent.

Wheat: Production during 1965/66 is forecast at 9.0 billion bushels, second only to the year-earlier record crop of 9.3 billion.

North America's production of 2.1 billion bushels was the largest of record, exceeding a year earlier by 157 million bushels, and the previous record set in 1952 by 89 million bushels. All 3 major producers (Canada, United States, and Mexico) expanded their production. Generally, weather was favorable for the 1965 wheat crop and yields were excellent; however, unfavorable weather at harvest time reduced outturns of spring wheat, particularly in Canada.

Total supplies of wheat in the 4 major exporting countries of the world (Argentina, Australia, Canada and the United States) for the 1965/66 marketing season are up slightly from the 1964/65 supply. This is primarily a result of record or near-record crops, plus carryover stocks that about equal those of a year earlier.

World trade in wheat and flour is expected to increase in 1965/66, approaching the record level of 2.1 billion bushels set in 1963/64. It appears that most wheat exporting countries have committed themselves to nearly the limit of their capabilities for delivery for export during 1965/66. Canadian exports are expected to reach 600 million bushels compared with 425 million in 1964/65. U.S. shipments are expected to be substantially above the 728 million bushels exported last season. The expanded world trade is expected to result primarily from large purchases by the Soviet Union and continued large imports by Mainland China. Japan will continue to import large quantities of wheat, but the volume may not greatly exceed the 1964/65 level. Other areas, particularly Western Europe, will be large takers of wheat although the total imported may not exceed that for the previous season.

Western Europe's wheat production in 1965 is estimated at 3 percent more than in 1964

and would have been higher had it not been for losses from late harvests, flooding, and lodging. Acreages were at record levels and yields were better than expected. However, the quality of the North European crop was below last year. Record wheat crops were produced in France and the United Kingdom where acreage increased 3 and 16 percent, respectively. A near-record wheat crop was harvested in Italy and crops in Spain and Portugal were considerably better than the poor crops of 1964. On the other hand, production in West Germany was down substantially.

Wheat production in the USSR is estimated 15 to 20 percent below the 1964 crop. While the outturn of the winter wheat crop was above average, the spring crop declined sharply and was probably little better than the poor 1963 crop. Weather once again was the key factor that limited the size of the spring crop as a late spring was followed by a hot, dry summer. The Soviets, as of December 1 had purchased more than 9.8 million metric tons of wheat for shipment during 1965/66.

Despite a 10 percent drop in the 1965 wheat crop of Mainland China, Asia's wheat crop showed a moderate increase. Production in the Middle East increased 8 percent over 1964.

Early season prospects in the Southern Hemisphere point to smaller crops than the exceptionally large 1964/65 outturn. Both major producers--Australia and Argentina--are expecting much smaller crops, primarily because of drought which reduced planted acreage and lowered yields. Supplies for export from these countries will be considerably reduced from a year ago.

Rye: World rye production in 1965 exceeded 1964 by 3 percent and was the largest crop in 4 years. Better yields than a year earlier more than offset a slight reduction in acreage. Canadian production was up sharply as acreage increased 10 percent and yields were record high. In the United States excellent

yields offset reduced acreage. Production declined in both East and West Europe, but output is expected to be up substantially in the USSR.

Rice: The 1965 rough rice crop (mostly already harvested but including harvests in a few countries extending to the middle of 1966) is estimated at about the same level as the 253 million metric ton crop of the previous year, but 16 percent higher than the 1955-59 average. The biggest drop from the previous year was in India, where the current harvest is estimated 4 million metric tons of paddy less than a year ago. Pakistan and the European producers also showed decreases, while the United States and United Arab Republic among the major producers, had record crops. Communist Asia had a better crop than for several years.

World demand for rice will continue strong in 1966. Production has been increasing in recent years at a slower rate than population in the rice-importing countries. Although good crops are expected in most exporting countries, their aggregate production increased less than 1 percent in the past year, and their export availabilities, after domestic requirements have been met, may not reach the volume of 1965. A significant development in recent years has been South Vietnam's change from a net exporter to a net importer owing to the war's disruption of its marketing system.

Feedgrains: World production of corn, barley, and oats, plus production of sorghum and millet in 9 countries, is estimated at 378 million metric tons, 4 percent larger than the 1964 total and a new record. Largely because of record crops in the United States, both corn and sorghum set new world production records. The harvest of oats was up 2 million tons, or 5 percent, though far from a record. The barley crop was down 4 percent.

Corn harvests in 1965 totaled a record 208 million metric tons, up 12 million from

1964.2/An increase of nearly 15 million metric tons, (580 million bushels) in the U.S. harvest, more than offset poorer crops in the Communist world. U.S. yields were a record 72.1 bushels per acre.

At this time the best indications, based on weather at planting time and assuming normal yields, are that the South African and Argentine corn crops in 1966 will be up 18 and 4 percent, respectively, from the harvests in mid-1965.

Barley production in 1965 is estimated at 4.1 billion bushels, 4 percent less than the 1964 crop. While acreage declined 7 percent, yields were slightly above those of a year earlier. Canadian barley production, at 215 million bushels was 29 percent larger than in 1964. Both acreage and yields were up. U.S. barley production was up moderately over a year ago. In Western Europe barley production increased for the ninth consecutive year and reached a record 1.3 billion bushels. Major increases in the United Kingdom and France more than offset declines in other countries, primarily West Germany, Denmark, and Spain. Increases are expected in East European countries, also, particularly in Bulgaria, Hungary, Poland, and Yugoslavia. The Soviet Union and Australia had sharply smaller crops.

Oat production in 1965 is estimated at 3.1 billion bushels, up 5 percent from 1964. Acreage was again down slightly, continuing

the trend begun in 1954, but yields were excellent. North American oat production at 1.4 billion bushels was 14 percent larger than a year ago as all 3 major producers indicated increases. West European production was below a year ago but France, the largest producer, harvested a crop 4 percent larger than a year earlier although acreage was 150,000 acres less. However, this was offset by high yields which exceeded the 1955-59 average by 14 bushels per acre.

World grain sorghum production in 1965 is estimated to have exceeded 1964 primarily because of a record crop in the United States. U.S. production, because of excellent yields, and increased acreage, totaled 16.5 million metric tons, a third larger than in 1964. Argentina, another major exporter, harvested about 1 million tons in 1965 with output in 1966 expected to be up about 18 percent.

World trade of feedgrains (corn, oats, barley, and sorghum) likely will continue to trend upward during 1965/66. Factors responsible for this trend are (1) an increase in economic growth in many areas of the world and a corresponding growth in demand for livestock products and (2) the inability of the major importing countries to increase production fast enough to fulfill the rapidly growing demand for feed grains. The principal feed grain markets in 1965/66 will continue to include most of the West European countries and Japan. In addition, Eastern Europe is showing increased interest in feed grain imports.

2/ To facilitate comparisons with production statistics for other grains, data for corn and sorghum have been tabulated by calendar years. Harvests in Argentina, Australia, and the southern part of Africa which were completed in the early part of 1965 have been combined with Northern Hemisphere harvests completed later in 1965. For wheat, oats, and barley, on the other hand, the harvests in the Southern Hemisphere which have recently been completed or are still in progress have been combined with last summer's crops in the Northern Hemisphere. This procedure brings into the same column of Table 2 the corn and sorghum harvests in Argentina and South Africa which are simultaneous with the barley harvests of Mexico and India. It also eliminates the need for estimating the early 1966 corn and sorghum harvests in Argentina and South Africa before planting is completed.

The United States is again expected to supply at least half, or perhaps more, of the world trade in feed grains during 1965/66. Other major suppliers will be Argentina (corn and grain sorghum); Thailand (corn); and Canada and France (barley). South Africa, normally a major corn exporter, is not now a significant supplier since production for the past 2 years has been sharply reduced by drought.

VEGETABLE OILS

World production of vegetable oils in 1966 is forecast at an all-time high of 20.9 million metric tons, only fractionally larger than the 1965 record but almost one-third above the 1955-59 average. Major share of the increase will be in edible oils, which comprise the predominant portion of the total. Smaller increases are foreseen for both the industrial and palm oils. The United States, the world's leading producer of vegetable oils, is expected to account for one-fourth of the total output. Most of the oil produced in 1966 will be from oilseed crops harvested in 1965, except palm oils, which will be harvested continuously throughout 1966, and rapeseed and castor oils, which will be processed largely from 1966 seed.

Edible oil production is expected to attain a record high in 1966, but the increase will be only slightly above the 1965 record. The gain will result largely from the record U.S. soybean harvest of 1965 and an increase in Mediterranean Basin olive oil production from 1965-crop olives. These increases, however, will be partly offset by production declines expected in peanut, sunflower seed, and rapeseed oils. Highlights of the 1966 edible oil situation, in addition to the sharp expansion in U.S. soybean oil and the moderate increase in olive oil output, include the expected sharp decline from the 1964 record in the 1965 Indian peanut crop, the somewhat reduced production of U.S. cottonseed oil, smaller 1965 soybean and peanut crops in Mainland China, and less sunflowerseed from 1965 harvests in the Soviet Union and other major producing countries of the Communist bloc. Production of palm oils is expected to be somewhat larger in 1966 than in 1965. Coconut output in the Philippine Republic and Ceylon during the first half of 1966 is likely to recover from the low level in the corresponding period of 1965 because of greater rainfall. A recovery in palm oil output from the Congo (Leopoldville) is in prospect as plantations become rehabilitated.

Production of industrial oils in 1966 is expected to be slightly larger than in 1965 because of the increase foreseen in linseed oil output. World flaxseed production in 1965 was the largest in 9 years, reflecting sharp increases from the previous year in Canada and the United States; production in Argentina declined somewhat. Castor oil production may not vary greatly from the 1965 above-average outturn. Tung oil output will decline rather sharply, reflecting reduced production from the 1965 nut harvest in Argentina, Paraguay, and the United States.

World demand for oilseeds and products will continue to expand, reflecting sustained economic growth in the developed countries, as well as increases in population. However, expansion of production in the current marketing year may exceed effective demand and result in some accumulation of stocks in the Western Hemisphere, particularly the United States, Canada, and possibly Argentina.

World exports of vegetable oils in 1966 (including oil-equivalent of oilseeds) are expected to increase only slightly from the estimated record 6.9 million tons exported in 1965. Most of the increase will be in the edible oils. Palm oil exports may rise somewhat but industrial oil exports may not vary greatly from the relatively large movement of 1965.

The United States, as in recent years, is expected to account for one-third of the world's total exports of oilseeds and vegetable oils in 1966 and most of the gain from 1965 in world exports.

The movement of edible oils in world trade in 1966 may increase from that of 1965 by about 135,000 tons, reflecting mainly the aggregate expansion forecast in exports of soybeans and soybean oil from the United States. Slightly more peanuts and peanut oil may enter trade channels since peanut production rose in 1965 in Africa--particularly Nigeria and Senegal, the major sources of exportable supplies. Exports of rapeseed and oil probably will

rise also, reflecting increased availabilities from Canada, France, and Poland. Reduced exports are foreseen for sunflowerseed and oil from smaller crops in 1965 in the USSR, Bulgaria and Rumania. Smaller exports of cottonseed and oil will result mainly from reduced carryover stocks of cottonseed oil in the United States. And, exports of olive oil will fall short of the 1965 tonnage because of reduced supplies in the Mediterranean Basin, despite increased production from 1965-crop olives.

The indicated increase in potential availabilities of palm oils in 1966 may lead to an increase in world trade with possibly larger supplies from the Congo (Leopoldville), Malaysia, and Nigeria, and of coconut oil from Ceylon, Papua/New Guinea, and the Phillipines. A greater proportion of the trade in palm kernel oil in 1966 will be in the form of oil rather than kernels owing to the increase in crushing capacity in primary African producing countries.

Industrial oil exports in 1966 may approximate the relatively large tonnage traded in 1965. Increased exports of flaxseed and linseed oil may be offset by reduced exports of castor beans and oil. Large exportable supplies of flaxseed are available in the United States and Canada from the above-average crops of 1965. Argentina, however, may not be able to maintain last year's high level of exports, with stocks reduced and production down slightly. Tung oil exports are expected to remain at about the 1965 volume.

FRUITS, NUTS, AND VEGETABLES

Citrus fruit: World production of oranges is expected to be record large in 1965/66. This is due primarily to the larger crops in the Mediterranean area and in the United States. Although abundant supplies of Mediterranean winter oranges are likely to preclude any gains in U.S. exports to the European market, U.S. exports of fresh oranges to Canada likely will register an increase over the level of the past few seasons.

The increased availability of processed citrus fruit juices in Florida at more attractive prices is expected to stimulate export sales to both the Canadian and West European markets. Moderate increases are also expected for exports of fresh grapefruit and lemons to both areas.

Deciduous fruit: Northern Hemisphere production of dessert and cooking apples in 1965 totaled 463 million bushels, about 9 percent below a year earlier. Rains and cool weather during the spring adversely affected output in many European countries. In addition, a series of windstorms and heavy rains during the summer reduced the crop in Italy, Europe's leading producer and exporter. This marked the first reversal in the upward trend in production of Italian apples since 1957. The commercial apple crop in the United States was below a year earlier but still well above average. Anticipated gains in U.S. exports to Western Europe will be partially offset by a reduced movement to Canada where the crop is larger than in 1964.

Pear production in the Northern Hemisphere for 1965 was 11 million bushels, about 26 percent below 1964. Virtually every country registered a smaller crop than the year before. In Europe, the combined pear crops in the 3 leading producing countries -- Italy, West Germany, and France -- were almost one-fourth smaller. The reduction in the United States, however, was confined to Bartlett pears, which are marketed heavily during the summer and early fall months. In view of the shortage in Western Europe and ample supplies of U.S. winter pears, 1965 totals for exports from the United States are expected to be larger than in 1964.

Raisins and prunes: World production of raisins in 1965 attained an all-time high while production of dried prunes, though down somewhat from 1964, was above average. World raisin prices continued strong during the 1964/65 season. Prune prices, however, weakened in reaction to the exceptionally large 1964/65 supply. The 1965 California raisin pack was the

largest since 1952 and the prune pack was only slightly below the heavy 1964 pack. U.S. exports of raisins and prunes in 1965/66 likely will be higher than in 1964/65.

Canned deciduous fruit: The 1965 world pack will be lower than in 1964 primarily because of a reduced U.S. pack. Brown rot, caused by untimely rain, severely affected the California cling peach crop, while the production of fruit cocktail was also affected by a smaller pear pack. Australian and South African canned fruit packs experienced gains--mainly for peaches. Gains were also scored for apricots and fruit cocktail. U. S. exports may drop because of increased prices, while Australia and South Africa should increase their marketings and possibly clear their packs.

Almonds, filberts, and walnuts: The 1965 world almond crop was virtually the same as in 1964 but well above average. Because of larger carryover stocks, however, supplies available for export in major producing nations are well above those in 1964 and world trade likely will increase. U. S. production was marginally above the 1964 level; carryover stocks were also up from the previous year. U.S. exports in 1965/66 may exceed last season's heavy volume.

World filbert production in 1965 was below that of the previous 3 years but still slightly above the 1959-63 average. However, the Turkish Government has a large carryover from the 1964 crop which is potentially available for export. Despite this, world exports in 1965/66 probably will not reach the record level of the year before.

The world commercial walnut crop is well below 1964 production and slightly below the 1959-63 average. The U.S. crop was the smallest since 1961. International trade in 1965/66 is expected to be down from the 1964/65 level. U.S. exports may increase because of intensified export activity by the industry.

Potatoes: World output of potatoes in 1965 was about 7 percent below the 1964 crop.

Production in the United States increased 22 percent from the short 1964 crop due to increased acreage and record yields. The reduction in acreage planted to potatoes in Western Europe continued, and the 1965 crop was about 5 percent below 1964. Potato production in the USSR and Eastern Europe was down 11 percent from the large crop in 1964.

LIVESTOCK, DAIRY, AND POULTRY

The production of red meat in the 44 major producing countries (excluding Mainland China) that account for about 85 percent of the world supply totaled about 51 million metric tons in 1965, about the same as in 1964 and 15 percent above the 1956-60 average. World beef and veal production was about the same as in 1964 while pork production increased about 2 percent, offsetting a decline in the output of lamb and mutton.

Cattle and beef: World cattle numbers have trended upward since the end of World War II. Cattle and buffalo numbers reached a record 1,084 million head at the beginning of 1965, slightly above a year earlier and 11 percent above the 1956-60 average. Numbers increased in all geographical regions in 1964 with the largest gains in South America, Oceania, and the USSR. However, there was an outbreak of foot-and-mouth disease in European USSR in 1965. The West European countries and Argentina continued to rebuild their herds last year which were sharply reduced in 1963. Drought conditions in Australia in 1965 should reduce its cattle numbers.

World beef production for 1965 was about at the 1964 level. Output was higher in North America, but declined in South America. Production in Western Europe was near the 1964 level. World beef production in 1966 is expected to be the same or slightly above the 1965 level.

World beef trade in 1965 showed a continuation of the trade patterns which were first evidenced in 1964. Australia and New Zealand,

which found the U.S. a major outlet prior to 1964, found Western Europe a more attractive market in 1964 and 1965. Ireland, which in past years shipped a large part of its beef exports to the United States, has also found the European market more attractive and has expanded its exports to these countries considerably. Argentina, which has traditionally been able to supply most of the beef imported into Europe has not been able to do so since mid-1964 due to herd rebuilding. Argentine exports in 1964 were down sharply from the record level of 1963 and there was little improvement in 1965. Australia's exports will likely be lower in 1966 as the result of drought. European demand continued strong with rising consumer incomes exerting a strong influence on the demand for beef.

U.S. imports of beef and veal dropped from 1.3 billion pounds, carcass weight in 1964 to 0.9 billion pounds in 1965. Imports in 1966 are expected to continue at about the 1965 level.

Beef prices in Western Europe which peaked in 1964 continued at about the same level until late 1965 when a downturn occurred due to a seasonal increase in slaughter. Although supplies did not become appreciably more plentiful in 1965, beef prices did not continue their unprecedented rises due to the availability of large amounts of pork and poultry in the Western European market.

Hogs and pork: Hog numbers in early 1965 were 6 percent greater than in the previous year. This reversed the decline in world hog numbers which occurred in 1964. There was a sharp reduction in U.S. hog numbers; however, many of the important producing countries reported increased numbers. In the Soviet Union, hog numbers partly regained the losses suffered in 1963 and were 29 percent higher; in Western Europe, numbers were at an alltime high; and for the developing countries as a whole, hog numbers were up 2 to 3 percent. During 1966 world hog numbers are expected to increase moderately as the usual hog cycles are expected to lead to an increase in numbers in the U.S. and to a decline in Western Europe.

Pork production in 1965 was about 2 percent above the level registered in 1964. Major increases occurred in Western Europe and in the USSR, while U.S. production was off sharply. Little change in world pork production is anticipated in 1966.

World pork trade in 1964 increased moderately over the 1963 level. Pork trade in 1965 decreased somewhat as compared with 1964 due to increased production in the European importing countries. Major pork exporters continue to be Denmark and Poland with the major pork importers being the United Kingdom, France, and the United States.

Sheep, lamb and mutton: Sheep numbers in 1965 at 986 million head were virtually unchanged from the 1964 level. Drought conditions in Australia, Uruguay and the Republic of South Africa are expected to reduce sheep numbers in 1966.

Lamb and mutton production is concentrated mainly in 3 countries--USSR, Australia, and New Zealand. Mutton production in 1965 is expected to be down slightly from 1964 levels due to drought in Australia.

Trade in lamb and mutton in 1964 was slightly larger than in 1963. Leading exporting countries continued to be New Zealand and Australia with the leading importing countries being the United Kingdom, and Japan. Lamb and mutton trade in 1965 was at about the same levels in 1964.

Variety meats: U.S. exports of variety meats have been increasing steadily since 1958 and reached a record of 231 million pounds, valued at about \$48 million, in 1964. Variety meats are used mainly for meat dishes and for meat products such as sausage. The largest importers of U.S. variety meats are the countries of the European Economic Community. In 1964, two-thirds of U.S. exports of variety meats went to the EEC.

U.S. exports of variety meats in 1965 were at about the same level as the previous year due to smaller supplies of pork variety meats. This export situation is expected to continue well into 1966 until U.S. hog slaughter increases.

Tallow: World trade in tallow and greases remained at a high level in 1965 although total exports were slightly under the record tonnage shipped in 1964.

Production of inedible tallow and greases in New Zealand and Canada continued to expand in 1965. There was some recovery in production in Argentina, but shortages there persist. There was a leveling off or even a slight decline in the output of tallow in Australia following a drop in demand overseas for boned, trimmed meat and a rise in exports of carcass meat. Also, drought may have lowered the condition of a large number of animals coming to market. U.S. production of greases declined in 1965 due to the drop in hog slaughter, with little change forecast for 1966.

In 1965, exports from the United States, which account for most of the tallow and greases entering world trade, were about 15 percent below the previous year. Prices averaged higher in 1965. Smaller quantities were shipped to EEC and other countries in Western Europe, to South America, and to Africa. Exports to Japan and the rest of Asia were slightly higher than in 1964.

U.S. tallow exports are expected to continue very large. U.S. production is still trending upward, and probably even larger supplies will be available for export in the coming years. Long range market growth in industrialized countries will likely be confined to animal feeds, lubricants, and other nonsoap uses, since detergents continue to gain acceptance for most laundry and home cleaning uses. In the underdeveloped world, increased use of tallow probably reflects rising use of toilet soap as incomes and living standards rise.

Lard: Total lard production in 1965 in the major producing countries was up 2 percent from the previous year. However, production and trade patterns shifted substantially. U.S. production dropped sharply in response to reduced hog slaughter. Domestic lard prices increased and exports were down. Hog slaughter reached peak levels in Western Europe during 1965 and resulted in a considerable surplus of lard for export, partially offsetting smaller exports from the United States. Because of differences in price, U.K. buying was diverted to Western Europe during 1965 and away from the United States. The United Kingdom is virtually the only major market left for the world's lard exporting countries. No radical shift in world lard trade is likely before late 1966 when European supplies level off or decline and U.S. output recovers.

Dairy: World milk production in 1965 is estimated at 2 percent above 1964, on the basis of data for 36 important countries. Increased production is due largely to an arrest of the downward trend in cow numbers. This reversal coupled with higher production per cow and generally favorable feed and pasture conditions throughout most dairying countries of the world, pushed total milk production to near-record levels. Generally higher farm prices (both U.S. and foreign) for milk and dairy products during 1964 and the early months of 1965 provided producers the necessary incentive to maximize output of milk.

West European production in 1965 was up sharply from the relatively low levels of 1963 and 1964. Gains were registered in all major West European milk-producing countries. Production gains were largest in EEC countries. Further advances are in prospect for 1966 due to larger herds plus further gains in production per cow. In 5 West European countries (West Germany, Netherlands, Belgium, Switzerland, and the United Kingdom) which normally account for more than a third of all dairy herds in Western Europe, cow numbers in mid-1965 ranged from about 1/2 to 2-1/2 percent above the 1964 level. Among West European dairying

countries, only Denmark and Finland reported milk cow numbers down significantly from a year earlier. The composition of farm herds suggests that cattle numbers in Western Europe will continue moving upward at least through the 1966 season. Beyond that, developments will depend to a considerable extent on what happens to milk and beef prices.

In Oceania, 1965 milk production was up from a year earlier. The increase was due entirely to more cows and production increases per cow in New Zealand. Australian production was down from the previous year, reflecting severe drought conditions in the major dairying areas of the country.

Production in North America was down about 1 percent from 1964. Although production per cow continued to gain through 1965, the increase was not sufficient to offset a reduction in cow numbers.

Milk production in East European countries and the USSR, increased in 1965. Much of the increased output was channeled into manufactured products, particularly butter.

World output of the principal manufactured dairy products, particularly butter and nonfat dry milk, showed a substantial increase over 1964. All major dairy producing countries with the exception of the United States and Australia produced more of these 2 products in 1965 than a year earlier. Due to increased production, European butter stocks carried over into 1966 were near record levels. Because of expanded output of butter and nonfat dry milk, cheese production declined moderately in 1965. Price ratios between these products will largely determine the level of cheese output in 1966. Output of dry whole milk and canned milk products continued at about the 1964 level.

World trade in butter was down from the record level of a year earlier, reflecting

generally larger and more evenly distributed world supplies. Increased milk production in the United Kingdom and other traditional West European butter importing countries (West Germany, Italy and Switzerland) was largely responsible for the reduced trade; larger quantities of milk were available in these countries for butter production, thus significantly reducing import requirements. Overall butter trade is expected to decline further in 1966 as output continues to exceed total commercial demand.

Trade in nonfat dry milk in 1965 was also reduced from the level of a year earlier, but prices were substantially higher. Lower trade resulted from a substantially larger production of this product in all major producing-importing countries. In Western Europe, the major import market, output of nonfat dry milk was up substantially in 1965 due to favorable prices.

Canned milk trade decreased from the level of 1964. Trade in evaporated milk dropped relatively more than condensed milk. Competition in canned milk is becoming stronger as some traditionally large importing countries, such as the Philippines, continue to "stretch" their local supply of fluid milk by recombining and local reconstitution processes. Trade in dry whole milk remained near the 1964 level.

World trade in milk products will likely fall further in 1966. The development of the supply and demand situation in Western Europe will have a strong impact on world trade and production. Since price levels in this area are expected to remain at a relatively high level, milk production will likely rise further in 1966. Reduced import requirements are expected to result in a reduced level of trade in world dairy products for the second consecutive year.

Poultry and eggs: World production of poultry and eggs increased again in 1965 continuing a trend which began several years ago. International trade in poultry meat reached a

record level. The downward trend in the volume of trade in shell eggs and egg products continued unabated.

Demand for poultry meat remained generally favorable throughout 1965. Future demand prospects also appear quite favorable. This optimism is based on the knowledge that two-thirds of the world's population lives in developing areas of the world which have, by any standard of measurement, nutritionally inadequate diets. Very low consumption of animal protein is a characteristic of these areas. This, coupled with increases in population and expected gains in per capita incomes in most developing countries, could lead to increased demand for low-cost animal protein such as poultry meat and eggs for many years hence.

In Western Europe, the largest import market for poultry meat, production in 1965 increased sharply. As in past years, broiler production accounted for almost all of the increase in poultry meat output. Of the West European countries, the Netherlands and West Germany showed the largest production gains. Broiler production in West Germany will likely reach 120 million pounds in 1965. This is nearly 2-1/2 times the 49 million pounds produced in 1962. In the Netherlands, production was also significantly above the 1964 level.

There are several factors which have contributed to the sharp rise in broiler production in Western Europe during the past several years. An important contributor toward rising production in Western Europe, particularly in the European Economic Community (EEC) countries, has been the effective insulation of the EEC market from outside competition. This has been accomplished by high import charges effected through the EEC gate price and levy system. Secondly, reduced supplies and high prices of beef in Western Europe greatly enhanced the competitive position of broiler meat in that area during 1965.

Growth in population and a high level of economic activity have helped strengthen world

demand for chicken meat. This strong demand led to record foreign trade in 1965. The 8 major world markets (West Germany, Switzerland, United Kingdom, Austria, Hong Kong, Japan, Greece and Canada) imported over 600 million pounds in 1965, up nearly 5 percent from 1964. West Germany, by far the world's largest market, accounted for about 75 percent of total world trade in poultry meat in 1965.

Leading exporters of poultry meat maintained their position in 1965. In order of importance, they were the United States, Netherlands, and Denmark. In 1965, U.S. and Danish exports were down while Dutch exports of poultry meat continued their upward trend. Dutch exports will likely continue to rise in 1966 as a result of its favorable position within the EEC.

World trade in poultry meat is expected to remain at a relatively high level in 1966. To a large extent, poultry meat trade is a function of supplies and prices of red meats. With red meat supplies increasing little if at all in 1966, causing prices to hold at or near current high levels, trade in poultry meat may rise to a record level for the second consecutive year.

World egg production, which increased over 4 percent to 229 billion eggs in 1964, continued upward in 1965, although the rate of increase was not as large. Gains in egg production continue to be centered mainly in the developing countries.

World trade in table eggs continued to decline in 1965, a trend that has been continuous since 1960. In 1965, West Germany, the world's largest importer of shell eggs for human consumption, imported fewer eggs. This continues the downward trend of past years and substantiates the trend toward self-sufficiency in egg production. Exports from the Netherlands and Denmark were down.

International trade in egg products, which reached a recent high of 113 million pounds

in 1961, declined for the fourth consecutive year in 1965, and totaled about 65 million pounds. The major markets in order of importance continued to be the United Kingdom, West Germany, and Italy. Major suppliers remain the Netherlands, Poland, Mainland China, and Australia.

Production of shell eggs will likely be up in 1966. However, world trade in shell eggs and egg products will probably decline, continuing the trend of the past several years.

SUGAR AND BEVERAGES

Sugar: World production of centrifugal sugar in 1965/66 (May-April) is estimated at 70 million tons (short tons, raw value). This is 3 percent below the all-time record in 1964/65 of 72 million tons. World consumption is expected to increase about 2 million tons but will probably be about 5 million tons less than production in 1965/66.

The high outturn for 1965/66 reflects large crops in Cuba, Mexico, Brazil, India, and the Philippines. Smaller crops are being realized this year in the United States, Soviet Union, West Germany, and the Union of South Africa. Production in many of the developing countries, stimulated by the high prices during 1963 and 1964, continues to increase. The Soviet Union continued as the world's largest producer of centrifugal sugar, followed by Cuba where production has improved following the very low 1963/64 crop.

World sugar stocks increased from the low of 10.5 million short tons at the end of 1963/64 to a reasonable working level of 19 million at the end of the 1964/65 season. World stocks at the end of the 1965/66 season are expected to total about 24 million tons.

Within the last 2 years, the world production pattern has changed from a deficit to a surplus position. Because of ample supplies, prices of sugar on the world market in 1965 were at their lowest postwar levels. The world

price (f.o.b. and stowed, raw Caribbean basis) averaged 1.9 cents per pound during June to November 1965 compared with an average of 5.87 cents in calendar 1964 and the high average level of 8.5 cents in 1963. Since it appears that world sugar production will continue to be in surplus, at least for the next year or so, it is expected that world sugar prices will remain at low levels.

World trade in sugar has trended slightly downward in the past few years. This trend will likely continue in future years as more countries become self-sufficient in sugar production.

The United States Sugar Act was amended in 1965, effective through 1971. Some of the main amendments are that: (1) domestic quotas are increased by 580,000 tons (effective as of January 1, 1965) (2) foreign countries are to supply all market growth between consumption requirements of 9.7 and 10.4 million tons, and 35 percent of such growth above 10.4 million tons, and (3) the import fee, which was in force until the end of 1964 is eliminated.

An International Sugar Conference to negotiate a long-term International Sugar Agreement was held in Geneva from September 20 through October 14, 1965. This conference was held under the auspices of the United Nations Conference for Trade and Development (UNCTAD) and represented the first international UNCTAD conference for negotiating a new commodity agreement. No agreement was reached at the 1965 session, but the conference resolved to arrange a second session for the spring of 1966; or as soon thereafter as a successful outcome appeared likely.

Coffee: World production of green coffee in the marketing year that began October 1, 1965, is estimated at 78.2 million bags (132.3 pounds each), an increase of 51 percent over the preceding crop. This is the largest crop since 1959/60. Production in Brazil, the largest producer, has recovered from the frost and

drought that cut 1964/65 production. World exportable production for 1965/66 is estimated at 63.4 million bags which is once again well over world import requirements. However, prices have declined only moderately, due largely to the stabilizing effects of the International Coffee Agreement (ICA). Brazil, with production once again running well above its ICA quota, is expected to add another 7 million or more bags to its already sizable stockpile of coffee. Colombia remains the other principal holder of surplus stocks of the producing countries, although the larger African producers are also developing serious stock problems. Stocks in importing countries are down considerably from a year ago.

World trade in coffee continues to approximate 50 million bags annually and coffee remains one of the leading agricultural commodities in world trade. Per capita consumption in the United States, the leading consumer, has been declining since 1962, causing concern in the industry, both in the United States and in the producing countries. To meet this challenge, the World Coffee Promotional Committee of the International Coffee Agreement is initiating promotional campaigns in the United States, Canada, and perhaps other consuming countries during the 1965/66 coffee year. The coffee industries in the respective countries are expected to work with the committee in developing and carrying out these campaigns.

The International Coffee Agreement was strengthened in 1965 when the United States became a full participant. Thus far, the agreement is generally considered to have been successful in stabilizing prices at a reasonable level. During the coming years it faces the major task of stabilizing world production at a level more nearly in line with world consumption than is presently the case. This and other important problems facing the industry were discussed at a meeting held in London during the early part of December 1965.

Green coffee prices (New York basis) during the first 9 months of 1965 averaged

slightly below the average levels of 1964, although Robusta prices strengthened considerably after a low point in May, and in October were running above the 1964 average. The weakening in May was halted by the quota-adjusting provisions of the ICA. Since then, all except the Robustas have remained fairly stable. Brazils (Santos 4s), dropped from 45.6 cents in May to 44.3 cents in September. During the first half of 1965 the price of Central American coffees was below that of the Brazils, an unusual situation. During the same period, U.S. imports from this and other mild-Arabica producing areas jumped to 40 percent of the total, as compared with about 33 percent in calendar 1964. During the same period imports from Brazil made up 23 percent of the total, as compared with 32 percent in calendar 1964.

Green coffee prices in 1966 are expected to remain relatively stable at levels approximating those of 1965. The ICA 'indicative price,' a composite of three principal green coffee types, averaged 40 U.S. cents per pound from the beginning of March through November 1965.

Cocoa: The 1965/66 world cocoa bean crop is estimated at 1.42 million metric tons, the second largest on record. Production this season is expected to be about 6 percent below the record 1964/65 harvest, but 14 percent above the 1960/61-1964/65 average and 60 percent above the 1955/56-1959/60 level. Less favorable weather in the major producing countries of Ghana, Nigeria, and the Ivory Coast is expected to reduce African production by 10 percent to 1.06 million tons, while a larger Brazilian crop will increase Latin American output by 1 percent to 318,000 tons. Production in Asia and Oceania--at 37,000 tons--will continue its upward trend.

The phenomenal rise in world production in recent years is accounted for almost entirely by the African countries, where higher production levels are reflecting the effects of new high-yielding trees coming into bearing and intensive campaigns against disease and pests.

World exports of cocoa beans during 1964 amounted to 1.03 million tons, about at the same level as the two previous years. Preliminary statistics indicate that 1965 world exports were at record levels because of increased consumption in the major importing countries, stimulated by lower prices.

Cocoa bean prices (New York futures) reached a postwar low of under 10 cents per pound in mid-July 1965, less than one-half the price for the corresponding period a year earlier. Low prices have stimulated consumption, thus narrowing the wide gap between production and usage which has been present over the past several seasons. Prices began to strengthen in mid-1965 and by the end of the year were approximately 20 U.S. cents per pound.

As a result of the sharp fall in cocoa prices, many producers have announced plans to discontinue making new plantings and some are curtailing disease and pest control measures. The effects of these actions will not be apparent in the 1965/66 season, but will have an impact in following years.

A special meeting of the Working Party on Prices and Quotas of the United Nations Cocoa Conference was held in Geneva under the auspices of UNCTAD in late October 1965. They considered proposals put forward by major cocoa producing countries for short-term measures to alleviate problems facing producers. Some of the items discussed were: (1) creation of a loan fund which the producing nations might draw upon to finance the withholding of cocoa stocks; (2) ways to increase cocoa consumption in importing nations; (3) removal of administrative and fiscal barriers hampering consumption; and (4) implementation of a temporary minimum price level. The Conference concluded that no short-term measures were necessary at present, but that prices were still unsatisfactory. Another meeting of the Working Party is to be held during January 1966,

in which the Secretary General of UNCTAD and the Secretariat of FAO will submit the following subjects for discussion:

- (a) Basic principles that might be included in an International Cocoa Agreement;
- (b) The disposal of surplus production within the framework of food aid and for commercial nonconventional uses;
- (c) The long-term trends in production and consumption of cocoa;
- (d) A review of taxes and duties levied on cocoa beans and products.

Tea: World tea production in 1965 was a record 1.1 million metric tons. Although there has been a series of successive record crops over the years, rising consumption--in producing countries as well as in importing countries--has kept the tea economy in balance. The larger production goals announced in the development plans of many major tea producing nations, and evidenced in the application of improved cultural practices and expanding tea acreages, indicate that a similar large world tea harvest can be expected in 1966.

Asian production in 1965 continued upward primarily because of a larger Indian harvest. African production was down slightly because of continued dry weather in most major producing areas. South American output approximated that of the previous year.

World exports of tea during 1964 totaled 555,000 metric tons, down 2 percent from the all-time high in 1963 because of a sharp decline in shipments from India and Indonesia. Preliminary statistics indicate that exports in 1965 were up slightly from the previous year.

The Food and Agricultural Organization held an Ad Hoc Tea Meeting May 10-17, 1965, at Nuwara Eliya, Ceylon, to consider the current

situation and trends in the world tea economy and whether the establishment of a Tea Study Group would help to remedy any immediate or long-term problems facing the tea industry. Conclusions were that a Tea Study Group was not necessary, but that the situation and outlook should be kept under review. Another meeting of consumer-producer governments is scheduled to be held in late 1966 to review the tea situation.

Tea prices continue to remain relatively stable. January-June 1965 New York wholesale prices for standard grade black tea averaged 52.3 cents per pound, compared with the annual average in 1964 and 1963 of 51.8 cents and 53.2 cents, respectively.

Hops: Because of a slight increase in world acreage, 1965 production of hops was slightly above the record 1964 crop and well above the 1959-63 average. The 1965 output in the top three producing countries--the United States, West Germany and the United Kingdom--accounted for virtually all of the increase. These countries account for 60 percent of the world crop; the U.S. alone produced 26 percent of the total. International trade in 1965 was about equal to the record level of 1964.

TOBACCO

World tobacco production in 1965 totaled about 4.48 million metric tons (9.9 billion pounds)--nearly 4 percent below the record high of 1964.

The world harvest of flue-cured tobacco in 1965--at 1.60 million metric tons (3.5 billion pounds)--was down about 7 percent from 1964. Considerably smaller harvests in the United States and Rhodesia more than offset sizable increases in Brazil and Canada. The U.S. crop of flue-cured tobacco totaled 1.11 billion pounds--approximately 280 million pounds less than in the previous year. The drop resulted from new restrictions in the form of acreage-poundage quotas. Under these, growers are assigned maximum acreages that they may

plant and a limit is placed on the quantities that they may market. Under this system, emphasis is placed on quality rather than on yield per acre.

Rhodesia's 1965 flue-cured crop was about 22 percent under the previous year's record because of reduced acreages. Increases in production in Canada and Brazil reflected larger acreages. Flue-cured is the most important tobacco entering world trade, accounting for about 45 percent of the total.

With a reduction in the 1965 production of Rhodesian flue-cured and the improved quality of this year's U.S. crop, a moderate increase in U.S. exports of flue-cured tobacco is expected in 1966.

The world crop of oriental leaf in 1965, at about 1.55 billion pounds, was roughly 250 million below the record harvested in 1964. This drop was caused primarily by a sharp cut in Turkey's plantings, a smaller crop in Greece, and adverse weather in Eastern Europe.

World burley production in 1965, at about 820 million pounds was slightly above the 1964 level, with no major changes in the principal producing countries from the previous year. The United States produces about three-fourths of the world's burley crop.

Exports of leaf tobacco in 1964 from the Free World and Cuba set a new record of 0.85 million metric tons (1.87 billion pounds)--11 percent above the previous high of 1962. Exports from these countries in 1965 were somewhat under those of 1964, when there was a large buildup of stocks in several major importing countries.

The United States is the world's largest tobacco-exporting country. Other major exporters are Rhodesia, Greece, Turkey, India, Brazil, Cuba, the Philippines, the Dominican Republic, Canada, Yugoslavia, Bulgaria, and Colombia. The U.S. share of total exports from

the Free World and Cuba in 1964 was 27 percent, compared with 30 percent in 1963, and 35 percent in 1955-59. The U.S. share in 1965 probably was about the same as in 1964.

World cigarette manufacture continued to increase in 1964 to a new high of 2,526 billion pieces--up 2.8 percent from the previous year. Further gains occurred in 1965, with the total estimated at around 2,600 billion.

Filter-tipped cigarettes accounted for 40 percent of total Free World output in 1964, compared with 36 percent in 1963, and 33 percent in 1962. The continuing gain in filter-tipped cigarettes, which require less tobacco than regular cigarettes, together with manufacturers' discarding less tobacco, is likely to limit future increases in world import demand for leaf.

FIBERS

Cotton: The world cotton supply in 1965/66 is estimated at an alltime high of nearly 80 million bales (480 pounds net weight). Production and consumption are expected to set new records again this season. However, production will exceed consumption for the fourth consecutive year.

World cotton production, tentatively placed at more than 52 million bales for 1965/66, is above the 1964/65 record. The U.S. crop was about 15.1 million bales (December estimate), down about 1 percent from 1964 production. In the foreign Free World, production may total about 23.0 million bales, an increase of 0.2 million bales from the 1964/65 level. This is the sixth consecutive year in which foreign Free World production has reached a new high. In Communist countries, including Mainland China, production in 1965/66 is expected to exceed last year's output of 14 million bales. The crop in the Soviet Union is reported to be larger than the record of 8.2 million bales produced in 1964, despite a reported shortage of irrigation water.

World cotton consumption reached a new high of 49.7 million bales in 1964/65. The uptrend is expected to inch higher in 1965/66 with total consumption likely to be nearly 51 million bales. In the United States, mill consumption is now estimated at 9.3 million bales, up 0.1 million bales from 1964/65. Consumption for the rest of the world is expected to increase about a million bales, approximately one-half in the Communist countries. The major share of the increase in consumption in the foreign Free World in 1965/66 is in the producing countries, while most net importing countries of the foreign Free World will likely consume about the same amount of cotton or slightly less than in 1964/65. Aggregate consumption in Western Europe and Japan will likely be lower in 1965/66. Consumption in India will continue to increase in 1965/66 if sufficient supplies of cotton are available.

World cotton stocks on August 1, 1965, were estimated at 27.6 million bales, an increase of 2.3 million from a year earlier. Nearly 2 million bales of the stock increase were in the United States, where raw cotton stocks on August 1, 1965, totaled 14.3 million bales. This is the largest U.S. carryover since the record 14.5 million bales in 1956. Stocks held by the U.S. Government on August 1, 1965, totaled 11.6 million bales, the largest since 1939.

World trade in cotton is currently forecast at 17.3 million bales--up from 16.7 million in 1964/65. The slight increase is attributed to a continued high level of consumption abroad along with the fact that many net importing countries reduced stocks to about minimum levels in 1964/65. Those countries will probably import cotton mainly on a replacement basis this season, holding stocks at a low level. The United States is not likely to benefit from the increased world trade, since the increased production in foreign Free World countries will provide larger exportable supplies. As a result, U.S. exports are now estimated at 4.0 million bales compared with 4.1 million in 1964/65. However, U.S. exports should increase during the last

half of calendar 1966 as marketing adjusts to the new U.S. cotton legislation.

Prices of foreign cotton were reduced late in 1965 as exporters appeared to be reducing stocks to a minimum before the 1966/67 season begins. The rapid increase in production and use of manmade fibers continues to give cotton formidable competition in textile markets throughout the world.

Wool: World wool production in 1965 (including the 1965/66 season in the Southern Hemisphere) is estimated at 2.53 million metric tons (5,570 million pounds), greasy basis, about 4 percent less than each of the two previous years.

In the 5 major producing countries of the Southern Hemisphere (Australia, New Zealand, Argentina, Uruguay, and the Republic of South Africa), total output in 1965 is estimated at about 5 percent less than the previous year. Because of drought, production is reported to be down in all but New Zealand.

In other parts of the world, production was estimated to be down in the USSR because of reduced sheep numbers; U.S. production continued its downward trend as sheep numbers continued to drop; and output in Eastern and Western Europe remained on about the same level as the previous year.

Jute: World production of jute in 1965/66 is estimated at 2.44 million metric tons, compared with 2.32 million tons in 1964/65, and 2.42 million tons in 1963/64. A substantially larger outturn is expected in Pakistan, against a moderate decline in India's crop. India and Pakistan account for about 90 percent of the world's production of true jute, but other bagging fibers, such as kenaf from Thailand, are becoming increasingly important in world trade.

Exports from Pakistan, the only major exporter of true jute, totaled 700,513 metric tons in July-June 1964/65, down about 7 percent from 1963/64 shipments. Ten countries -- the

United Kingdom, India, Mainland China, Belgium, France, Germany, Japan, United States, Burma, and Spain--took 73 percent of Pakistan's exports last year.

World consumption of jute in 1965/66 is expected to increase somewhat over last season with Pakistani mills returning to more normal operating levels. Carryover stocks on June 30, 1966 in India and Pakistan may be down 20 percent from the estimated 507,000 tons held a year earlier. Prices of raw jute during the first 6 months of calendar 1965 were 3 to 4 cents a pound above corresponding levels of 1964 due largely to uncertainty about supplies for the current season. Prices tended to weaken somewhat in the third quarter.

The first session of the Consultative Committee of the FAO Study Group on Jute, Kenaf, and Allied Fibers was held September 1-3 in Rome. As a result of this meeting and on an informal, nonbinding basis, the major producing and importing countries developed guidelines for stabilizing prices and promoting a more orderly movement of supplies.

Sisal: The 1965 world crop of this principal cordage fiber is estimated at 725,800 metric tons (1,600 million pounds)--a gain of 4 percent over 1964--despite unusually severe drought in the main producing country of Tanzania. Acreage expansion in most countries indicates further increases in the future. In 1965, Tanzania, Brazil, Kenya, and Angola accounted for 84 percent of world production. Although the African and Asian countries now export most of their production as fiber, a few have begun to manufacture cordage for export. World fiber exports for 1965, at about 567,400 metric tons, were up 4 percent from 1964. The United States, the United Kingdom, France, and Germany continued as the largest importers. With production increasing faster than demand, and because of increased competition from synthetic cordage fibers, prices have been under rather severe pressures. In 1965, they averaged only 12 cents a pound compared with 17 cents in 1964.

Abaca: Production of abaca in 1965 decreased to an estimated 109,000 metric tons (240 million pounds) in 1965, or 2 percent less than in the year before. Exports from the Philippines, the principal producer and exporter, increased slightly to 103,000 tons. Japan, the United States, and the United Kingdom were the main importers.

Following a decline in prices late in 1964, prices turned slightly upward early in 1965 and for the year averaged about 23.1 cents a pound, about 0.5 cents a pound below the 1964 average.

Henequen: Production in 1965 was an estimated 158,000 metric tons (348 million pounds), about the same as in the previous year. Mexico is the world's leading producer

and exporter of henequen. Domestic consumption in the producing countries fell slightly as foreign demand for manufactures lagged. Mexican exports of fiber in 1965, stimulated by sharply lower prices, slightly exceeded the exceptionally low total of 1964 because of large midyear shipments to the United States of middle grade fibers. Much of this middle grade fiber was for the production of padding. The U.S. price in 1965 averaged about 9.5 cents a pound compared with an average of 14.1 cents in 1964. The United States is the principal buyer of Mexican henequen.

The natural fibers, both individually and as a group, continue to face strong and growing competition from the synthetic manmade fibers.

SITUATION BY REGIONS



WESTERN HEMISPHERE ^{3/}

Total 1965 agricultural output in the Western Hemisphere recovered from the low level of a year earlier to set a new record, due largely to more favorable weather throughout the region. Significant gains were registered both in total and per capita output for Canada, the United States and Latin America.

Hemisphere agricultural trade, particularly exports, probably showed little gain in 1965 following the reduced 1964 production. However, production gains in 1965 may result in some increase in 1966, but downward pressure on export prices for a number of commodities is expected to continue.

U.S. agricultural exports in 1964/65 were an estimated \$6,096 billion, only slightly above the previous year's level. U.S. agricultural imports in 1964/65 were \$4.0 billion, off slightly from the \$4.1 billion of the previous year. U.S. agricultural exports to the Western Hemisphere countries were \$1.2, about the same as a year earlier. U.S. agricultural imports from these countries were \$1.8 billion, down \$0.1 billion from 1963/64.

Canada: Total farm production was at a record high level in 1965, following the drought-induced decline of 7 percent last year. The index of total agricultural output is estimated at 130

for 1965, up from 119 for last year (1957-59 = 100). The 1965 wheat crop is estimated at 678 million bushels (18.4 million metric tons), well above the previous crop of 600 million bushels but below the record 1963 harvest of 723 million bushels. Gains were also registered for all other major crops, except potatoes and sugarbeets. Increased output of beef, veal, and poultry meat more than offset a small decline in pork.

Total agricultural exports in 1965 were slightly below the 1964 record with imports also below the previous year. Gains are expected in both this year. Canadian exports of cattle and meat increased sharply in 1965. Grain exports in 1964/65 were down from record levels a year earlier. However, record shipments of grain are anticipated during 1965/66. With heavy grain commitments to Communist countries in 1965/66, Canada may find it difficult to expand exports to its traditional grain markets because of limited transport and loading facilities. However, Canada probably will seek increased exports of oilseeds in 1966. Import demand for U.S. fruits and vegetables and soybeans is expected to continue strong, with some weakening for cotton and corn.

^{3/} Western Hemisphere includes Canada, the United States and Latin America. Latin America includes Mexico, Central America, the Caribbean islands (including Bermuda), and South America. Central America includes British Honduras, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Canal Zone. South America includes all countries of the mainland, plus Falkland Islands.

United States: Total U.S. output of farm products increased about 4 percent from 1964 to 1965 to set a new record. The 1965 index of agricultural production was estimated at 116 compared to 111 for 1964 (1957-59 = 100). Favorable weather resulted in an increase in crop production of more than 7 percent from the reduced levels of 1964, with little change in livestock output. Corn production was up 18 percent, and soybeans 23 percent. The production of wheat, hay, and fruits and vegetables was also higher. However, pork production was sharply reduced. Prices received by farmers in 1965 averaged about 4 percent above 1964, due almost entirely to higher prices for livestock products. As a result, realized net farm income in 1965 was around \$14 billion, more than \$1 billion above 1964.

The 1966 outlook indicates some further gains in production and realized net farm income. In the coming year, larger government payments are expected to offset lower crop prices while prices of livestock products are expected to continue strong. Rising after-tax incomes and population increases expanded the domestic market for farm products in 1965 and this trend should continue in the coming year. Exports for 1965/66 are expected to reach a record of almost \$6.2 billion.

Latin America: Agricultural and food output in 1965 likely set a new record and increased more rapidly than population, reversing the situation of a year earlier. The index of agricultural output was estimated at 123 or 101 on a per capita basis, compared to estimates of 114 and 97 respectively, for 1964 (1957-59 = 100). Improvement resulted mainly from better weather in South America, particularly in Brazil. Total production in Mexico, Central America, and the Caribbean showed gains, but per capita output was probably down except for the Caribbean. In South America, estimated declines in output in Argentina, Chile, and Uruguay were more than offset by large gains in Brazil and smaller increases in Colombia, Venezuela, Peru, Ecuador, Bolivia, and Paraguay. Both crop and livestock

output were up for Latin America as a whole. Increased agricultural trade and more modest gains in Latin American farm production are likely in 1966.

Mexican agricultural output in 1965 likely surpassed the record level of 1964, although there was little per capita gain.

Production increases for sugar, coffee, corn, grain sorghum, soybeans, and livestock products likely offset declines in cotton, and rice output. Quotas for feeder cattle exports to the United States for 1965/66 have been cut 63 percent to 510,000 head, and imports of slaughter cattle have been authorized for the first time. Damaging August rains may limit export availability of winter vegetables.

Central American agricultural production in 1965 has been estimated at slightly higher than last year with per capita output down. Dry weather adversely affected the output of most crops and livestock products. There was little increase in domestic food crops; the corn crop was down. Gains were estimated for coffee, bananas, and sugar; cotton was down nearly 9 percent; and there was little change in beef production.

Caribbean agricultural production probably increased faster than population in 1965. Drought contributed to a decline in the Dominican Republic. However, this decline was more than offset by some increase in Haiti, Jamaica and Trinidad and Tobago and a sharp increase in Cuba. The gain in Cuban output was primarily due to the largest sugar crop since 1961.

South American production in 1965 was well above the poor showing of a year earlier, due mainly to more favorable weather conditions and to a recovery in Brazilian output. Significant gains were registered both in total and per capita output and for both crops and livestock. South American agricultural production may show further gains this year, but at lesser rates than those registered in 1965.

Sharply higher coffee, rice, and corn crops in Brazil, with a record output of almost all other important crops and livestock products, marked a sharp recovery from low output of 1964 and resulted in an all-time high in agricultural output. All of the 34 commodities included in the 1965 agricultural production index showed gains except for castorbeans, which declined sharply; beans, onions, and mutton, which had small decreases; and alfalfa, which remained unchanged.

Argentine output declined slightly for the second year. Lower outputs of wheat, corn and other feed grains, and flaxseed, were largely offset by increased production of rice, edible oilseeds, deciduous fruits, cotton and tobacco. Meat production rose somewhat above the low level of the previous year as rebuilding of herds continued, but milk and wool fell off slightly.

Severe drought limited Chile's 1965 output of dry land crops and livestock and subsequent heavy rains damaged winter grain crops which will be harvested in 1966. However, ample irrigation water resulted in increased production of sugarbeets and truck crops.

Colombia's 1965 production was likely above that of a year earlier for livestock products and principal crops, except for barley, corn, and beans. Crop production gains largely reflected favorable weather and increases in harvested acreage.

Peruvian farm output showed some gain in 1965. Principal increases were in meat, corn, coffee and bananas. However, declines were registered in rice, cotton, and tobacco.

Agricultural production in Venezuela registered gains as a result of higher output of rice, potatoes, sugarcane, and livestock products. Production of other principal crops remained near 1964 levels.

Significant production gains were estimated for other South American countries, except for Uruguay. Ecuador's increased output

largely reflected increases in bananas, coffee, sugarcane, corn, potatoes, and livestock products which more than offset declines in cocoa beans and rice. Bolivia's output of corn and livestock was up with some decline in sugarcane and rice production. For Paraguay, lowered output of beans and sweetpotatoes was more than cancelled by increases in corn, beans, and livestock products. Uruguay's 1965 crop and livestock output was reduced by late 1964 and early 1965 drought, with the most important declines occurring in meat, wool, wheat, corn, and sunflowerseed.

WESTERN EUROPE ^{4/}

Agricultural production in Western Europe in 1965 increased to a record level, about 2 percent above the previous year. The record output reflects generally good weather, except in Spain and Portugal which were affected by a second successive year of drought conditions. Throughout the northern part of Europe the spring and summer growing season was abnormally cool and wet. These conditions favored heavy growth and record or near-record output was reached for most crops. However, harvest weather was not ideal and the quality of some crops suffered. Most of the southern European countries also enjoyed a relatively good year with output generally above last year.

Wheat production in Western Europe in 1965 reached a new record estimated at 44.0 million metric tons although production dropped from the 1964 level in half the countries. For the region as a whole, both acreage and yields increased somewhat above 1964. In the countries of the European Economic Community (EEC), wheat production was also above the 1964 level. Production increased in France and Italy but fell in Germany. In contrast with 1964, most

^{4/} The discussion is limited to 16 countries, Austria, Belgium, Denmark, Finland, France, West Germany (including West Berlin), Greece, Ireland, Italy, Netherlands, Norway, Portugal (excluding trade with Azores and Madeira Islands), Spain (excluding trade with Canary Islands), Sweden, Switzerland and United Kingdom.

of the North European countries harvested wet grain of poor quality. This may result in more wheat being fed thus reducing import needs for feedgrains. Rye production was substantially below 1964, continuing a declining trend.

Barley production again reached a record level because of increased acreage. Most countries contributed to this increased production. Oat production continued a declining trend as reductions occurred in most countries.

Soil and moisture conditions were generally good last fall in Western Europe and it is expected that the acreage of fall-planted crops will be about the same as in 1964.

Cotton acreage and production were stable in Greece, while in Spain production increased slightly despite a small decline in acreage.

Pork production increased rapidly in 1965 to a record high in Western Europe, about 5 percent over the previous year. However, demand also increased and prices remained at high levels. Increases in pork production occurred in nearly all countries. Western Europe continued to have shortages of beef and veal in 1965 because of continued increasing demand, and limitations on supplies from normal overseas suppliers. However, in most countries cattle prices fell in the autumn to about the level of the previous year due to a seasonal increase in slaughter. By the middle of 1965 cattle herds, especially calves, in many countries were 2 to 3 percent above the previous year and it is expected that domestic beef production will increase moderately in 1966.

Production of most dairy products, eggs and poultry, and citrus increased. Milk production was 2 to 3 percent above the 1964 level with output showing some expansion in nearly all countries.

Production of both apples and pears decreased in 1965. Rice production was below the 1964 level. Olive oil output is expected to increase moderately.

The economic growth rate in most West European countries declined in 1965. The United Kingdom continued to have serious balance of payments problems. Inflation, of varying degree of severity, was a problem throughout Western Europe. The EEC's combined real product grew at a rate of about 4 percent in 1965, compared with 5.5 percent in 1964 and 4 percent in 1963.

The EEC Commission's preliminary forecasts show the Community's growth rate expanding in 1966, and ranging from 4 to 5 percent. The U.K. Government published in the fall of the year a plan for achieving a 25 percent increase in GNP between 1964 and 1970. This would be a growth rate substantially above that of recent years.

Since July 1, 1965, France has not participated in EEC Council meetings. France announced intentions to boycott Council meetings after the June 28-30 discussions. At that time agreement was not reached among member nations on various controversial Commission proposals concerning (1) the financing of the Common Agricultural Policy, (2) the distribution of customs duties among the member countries and the date that they are to go directly into the Community's treasury, and (3) the budgetary powers of the European Parliament. Efforts are currently being made within the EEC organization and by various national governments to reconcile political and economic differences concerning the Common Market and to restore Community activities to a more normal level.

The EEC is continuing to implement marketing regulations covering a large part of its agricultural production. In February 1965 more stringent supplementary regulations were passed on imports of fruits and vegetables into the EEC. Directives concerning health requirements for intra-Community trade in cattle and pigs and in fresh meat went into effect on June 30. At that time, the directive stated that requirements on meat and livestock imports from third countries should be "no less stringent" than those applying to intra-Community trade. Final

decisions have yet to be made on a Common Agricultural Policy for sugar, fats and oils, and tobacco.

A number of nations have signed agreements with the Common Market and are now trading with it on special preferential terms. Among these nations are Greece and Turkey. They are to eventually achieve full membership in the Community. An association agreement is in effect with 18 independent African nations including Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Leopoldville), Dahomey, Ivory Coast, Gabon, Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Senegal, Somali Republic, Togo, and Upper Volta. The overseas territories of EEC member nations also enjoy preferential status in the EEC; this involves, for example, French Somaliland, French Polynesia, and Surinam. The French overseas 'Departements' (Guadeloupe, Martinique, French Guiana and Reunion), by contrast, are fully integrated into the French Republic, with special provisions for agricultural subsidization spelled out in the Treaty of Rome. Most-favored-nation type trade agreements have been signed with Iran, Israel, and Lebanon and involved a variety of concessions. Other countries have applied for association (Austria, Sweden, Switzerland, and Cyprus) or the opening of negotiations with the Community (Portugal and Spain).

During 1964, Western Europe's total agricultural imports continued the upward trend and totaled \$21 billion. U.S. farm exports to 16 countries of Western Europe in 1964 increased about 15 percent and totaled \$2,297 million compared with \$2,013 million in 1963. (This does not include grains and soybeans transshipped to Western Europe through Canada.) In 1964, as in other recent years, feedgrains comprised the largest share of these exports. However, oilseeds replaced tobacco in second place. Cotton, wheat and flour, animal fats, fruits, oilcake, dairy products, vegetable oils, meat and meat products, vegetables, poultry, and hides and skins also comprised major shares of the U.S. exports.

U.S. agricultural exports to the EEC during 1964/65 reached \$1.37 billion compared with \$1.33 billion a year earlier. Exports of feedgrains to the EEC were one-third greater than the previous year but there were declines for wheat and flour, pork, poultry meat, and rice.

Dollar sales as a share of total U.S. farm exports to Western Europe have been increasing. They were 88 percent of farm exports in 1961, 95 percent in 1962, and 97 percent in 1963 and 1964. Western Europe took about 50 percent of all U.S. dollar exports of farm products in 1964.

The poor quality of the 1965 wheat crop seems likely to increase Western Europe's import needs in 1966 for quality wheat for blending. However, an increased amount of wheat may be fed domestically or exported as feedgrains to other countries.

No additional increase in pork output is forecast for 1966. Imports of pork are likely to increase above the 1965 level. With rising demand and prices the outlook is favorable for exports of U.S. variety meats in 1966.

Most mid-1965 censuses recorded a marked increase in number of young cattle. This points toward a future increase in supply of beef and veal, but for several years the import demand for beef should continue strong.

USSR AND EASTERN EUROPE ⁵

Agricultural output in the Soviet Union in 1965 was down sharply from the peak 1964 level but considerably above the disastrous 1963 level. Serious drought conditions, similar to those of 1963, plagued the eastern spring grain regions, reducing yields, particularly of wheat, to low levels. European USSR, which had excellent conditions for winter grain during most of the growing season, experienced excessive coolness and moisture during harvest. Nevertheless, the

^{5/} The discussion of Eastern Europe covers Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania and Yugoslavia.

winter grain crop--mostly wheat and rye--was much above the very poor outturns of 1963 and 1964.

Output of most other crops was down sharply in 1965. The oilseed crop was down about 10 percent from the 1964 record despite an increase in area. Sugar beet production was down substantially because of reduced area and lower yields. Declines also occurred in the output of potatoes, vegetables, and fruits because of lower yields. Cotton, an irrigated crop, was considerably above the record 1964 output.

The serious decline in crop production was partly mitigated by livestock output, which recovered well from the sharp drop in 1964. Milk production reached a record high in 1965. Meat production increased significantly over 1964 but was still below the high--distress-slaughter--output of 1963. A very good feed situation in 1964 and a fairly good one in 1965 were the major causes for this recovery. However, meat production may have been raised somewhat by slaughter due to the spread of foot-and-mouth disease in European USSR during the last half of 1965.

The USDA index of Soviet agricultural output, which has been completely revised this year, indicates that production in 1965 was 8 percent below the record high of 1964. This was still 7 percent above the level of 1963, and 8 percent above the level of 1957-59. Per capita output in 1965, however, was about 4 percent less than in 1957-59.

Production trends in recent years--stagnation from 1958 through 1962, a crop failure in 1963, record output in 1964, and then another serious decline in output in 1965--have been accompanied by major changes in Soviet agricultural policy and trade patterns. In 1965, as in 1963, the Soviet Union--heretofore a major grain exporter--made exceptionally large wheat purchases from the West. From mid-1963 through mid-1966 wheat purchases by the Soviet Union will exceed 20 million metric tons.^{6/} The Soviet Union, however, has con-

tinued exports to East European countries and Cuba.

The new Government and party leadership under Brezhnev and Kosygin announced in March 1965 its program for overcoming agriculture's difficulties. The program encompasses abandonment or modification of some practices advocated by Khrushchev, but the extension of others. Capital investment, deliveries of machinery, farm procurement prices, and incomes of farmers are to increase by 1970. The excessively high Government procurement plans for grain and livestock products have been lowered sharply while purchases above the procurement level are to be made at premium prices. The area in corn, both for grain and silage, has been drastically reduced. The abandonment of grasses and fallow insisted upon by Khrushchev in his last years in office has been reversed.

The serious food grain problem has caused the Soviet Government to give these crops priority in the present program. Higher prices for wheat, rye, and other food grains have been introduced and a premium of an additional 50 percent is paid for deliveries to the Government above planned levels. Furthermore, priority in the cropping pattern and in inputs is being given to winter wheat which was displaced by corn and pulses in recent years.

The grandiose fertilizer program announced by Khrushchev in 1963 has been modified, but planned increases in fertilizer deliveries are still large (55 million tons by 1970 compared to only 11.4 million tons in 1960). Significant increases in irrigation and land reclamation are planned and restrictions on private agricultural production--household plots of farmers and others--have been relaxed somewhat.

In the Danubian communist countries--Hungary, Rumania, Bulgaria, and Yugoslavia--

^{6/} Lazar Volin and Harry E. Walters, Soviet Grain Imports, ERS-Foreign-135, Economic Research Service, U.S. Department of Agriculture, Washington, D.C., September 1965.

agricultural output was approximately 5 percent below the record level of 1964. Near-drought conditions reduced the output of corn (the principal grain in the area) except in Hungary where a cool, wet summer delayed maturity of the crop. Output of other spring crops--sugar beets, sunflower seed, potatoes, fruits and vegetables--was also reduced throughout the area. Record yields of winter wheat, largely attributable to excellent moisture conditions during the spring and early summer, were claimed in each of the countries. But wheat output did not increase correspondingly because of a reduction in the area occasioned by adverse weather during the fall planting season, and serious spring flooding along the Danube.

The good wheat crop in Rumania resulted in a sizeable export surplus, and Hungarian officials have claimed that their country will be self-sufficient in bread grains during the current consumption year. Conversely, the short crop in Yugoslavia boosted import requirements of wheat by about 20 percent. Bulgaria, another traditional wheat importer, has extended tenders for wheat despite claimed record yields. The short supply of feedstuffs--both concentrates and roughages--throughout the Danubian area does not necessarily portend heavy imports of feedgrains as only Hungary (and, in recent years, Yugoslavia) has traditionally imported feedgrains. Conversely, meat production--especially of pork--increased in response to the reduced feedgrain crop (and poor pasture conditions in all but Hungary), hog numbers declined, and other herds increased minimally over January 1, 1965.

In Yugoslavia, producer prices for agricultural commodities, which were increased an average of 20 percent in July 1964, were again raised in July 1965 by an average of 32 percent. This most recent increase was but one measure in a sweeping economic reform designed to increase the role of market forces by rationalizing price relationships, both among commodities and between foreign and domestic products.

Although crop production in Poland declined in 1965, total agricultural output reportedly was at a postwar high, largely because of a substantial increase in hog slaughter. In Czechoslovakia, output was down 6 percent and only slightly better than the 1957-59 average. East German agricultural output, however, rose slightly.

In these 3 countries the dominant weather conditions were a mild winter which favored winter grains and oilseeds, and a cool, wet summer which favored pastures but retarded growth of spring grains and had a deleterious effect on other spring crops. Czechoslovakia suffered from floods as did some of the Danubian countries.

Grain production was up sharply in Poland (over 1 million tons), whereas it declined in Czechoslovakia and East Germany. Wheat production held up better than that of other grains in these 2 countries, primarily because of growing conditions favorable to winter crops. In East Germany, the grain crop was equal to the 1957-59 average, lower than 1964, but still better than 1963. In Czechoslovakia, grain production was lower than the 1957-59 average and substantially below the level of recent years. Larger imports will be required by these 2 traditionally grain-deficit countries.

Output of oilseeds--primarily rapeseed--was up about 25 percent, or about double the 1957-59 average, due to a large increase in area and yield in Poland. The production of potatoes (the single most important crop in these countries) declined, especially in Poland and Czechoslovakia. But potato output was still above the 1957-59 level. Sugar beet production fell in all 3 countries with Czechoslovakia showing the greatest drop. Fruit production was down somewhat from the past 2 years and below the 1957-59 average. Vegetable production, however, was above the 1957-59 average but below the 1963 and 1964 crops. Milk output increased slightly; meat production was higher in 1965 than 1964 in all 3 countries.

Czechoslovakia and East Germany continued with the reorganizations of their economies designed, in part, to improve the efficiency of agriculture and raise agricultural output. These measures are meant to break the stagnation of output which has persisted since collectivization was completed in the late 1950s. During the early sixties, reliance was placed on increased inputs of fertilizer, machinery, and investment. It now appears that changes are underway to increase producer incentives and make agricultural production more economic.

In Poland the major change was an increase in grain prices of from 10 to 25 percent.

WEST ASIA ^{2/}

West Asia's total agricultural output in 1965 exceeded the high production level of 1964 by about 1 percent. However, per capita farm production fell 1 percent below that of the previous year and was only 4 percent above the 1957-59 average.

Largely because of increased moisture during the growing season, total grain production in West Asia rose in 1965 by 6 percent over the output of 1964. Wheat production increased to 12.8 million metric tons, registering a rise in every country of the region except Jordan, for an overall gain of 8 percent. Increased production of barley in the major producing centers more than offset the smaller crop in other sections of the area; the total increase was nearly 16 percent above 1964. Output of sorghum and mixed grains was up more than 6 percent. Rye increased by nearly 4 percent. The West Asian rice crop showed an increase in 1965 of 3 percent over 1964 reaching a level of approximately 1.4 million metric tons. But corn production fell by over 2 percent.

Domestic supplies of livestock products increased during 1965. Regional cotton production for 1965 was almost equal to the 1964 crop--640,000 metric tons. But regional pro-

duction of sugarbeets was nearly 19 percent below 1964. There was a reduction of over one-fifth from 1964 in the 1965 outturn of tobacco; this is mainly because the crop in Turkey was nearly one-third smaller than the unusually large crop in 1964.

West Asian citrus growers reported a gain of 15 percent in their 1965 crop over the preceding season. Last year grapes exceeded the 1964 total by 8 percent. But regional output of dates was an estimated 15 percent less than the 1964 yield. Generally following an "off-year" cycle, olive production was about 42 percent below that for the preceding year. Principally because the Turkish filbert crop was only half as large as the exceptional yield of 1964, regional nut production dropped about 25 percent.

In Turkey, output of all grains except corn rose in 1965 over 1964. Most fruit and vegetable crops were good, but lower yields of cotton, tobacco, sugarbeets, filberts, and olives caused total 1965 crop production to drop 6 percent below that for 1964. Although Syrian production of cotton, tobacco, barley, fruit and wool last year was equal to or well above normal output, overall farm production fell 1 percent in comparison with the unusually high level recorded for 1964. With abundant and well-timed rains, Jordan's crop production, although 20 percent below the 1964 all-time high, was double that of the 1957-59 average. Cyprus' farm production was 28 percent from 1964. Last winter's subnormal temperatures and heavy snowfall, which caused heavy damage to Iran's fruit trees and livestock, had a favorable effect on crop planting and growing conditions in the spring of 1965; total farm production increased by nearly 10 percent over 1964. Although Iraq's date production fell, field crops and livestock returns were satisfactory and farm output rose 3 percent. Good returns of wheat and most fruits and vegetables in Lebanon and Israel contributed to a rise in farm production during 1965.

^{2/} Discussion on agricultural production in West Asia is limited to 8 countries for which ERS calculates production indexes: Cyprus, Iran, Iraq, Israel, Jordan, Lebanon, the Syrian Arab Republic, and Turkey.

West Asian agricultural exports from 1965 production are expected to increase moderately over the \$560 million annual average of recent years. Regional supplies of most grains are in a good position this year; other principal farm export commodities are oriental tobacco, cotton, fruits, nuts, and inedible livestock products.

Turkey is by far the leading agricultural producer and exporter of the area. Although a reduction in export availabilities from the 1965 Turkish tobacco crop is expected, quality of the leaf is considered to be excellent and the probable higher prices should prevent export earnings from falling significantly. Turkish cotton exports in 1966--from the 294,000 metric tons produced in 1965 plus carryover stocks should exceed the exports from the previous crop which are estimated at 175,000 tons. With Turkish raisin production estimated at a record 110,000 tons in 1965 about 85,000 tons should be available for export. Dried fig production and consequent exports in 1966 from Turkey are also expected to reach near-record levels. Export supplies of filberts appear adequate because they will include a sizeable carryover from the 1964 crop. Dried apricots available for sale abroad, however, will be down in 1966.

Exports of Syrian cotton are forecast at around 160,000 tons from the 1965 crop, placing the Syrian product in continued competition with U.S. cotton in European markets. Syria will be seeking additional outlets for 1965's abundant tobacco crop.

Because of the shortfall in the Iraqi crop, regional supplies of dates for export during the coming season are expected to be somewhat below 1965's marketings.

With wheat and flour remaining the dominant products, U.S. agricultural exports to West Asia in the year ended June 30, 1965, totaled \$211.3 million. ^{8/} This is a modest increase of 3-1/2 percent over the level in the preceding year. Israel continued as the largest

market as U.S. exports totaled \$74.6 million; followed by Iran, \$44.0 million; and Turkey, \$38.8 million. No significant change is foreseen for 1965/66 in total U.S. agricultural exports to West Asia.

United States imports of agricultural commodities from West Asia remain only about half as great as U.S. exports to the area. In the year ending June 30, 1965, such U.S. imports were valued at \$102 million. Roughly half of this was tobacco from Turkey. No important change in makeup or total of U.S. agricultural imports from West Asia is predicted for 1965/66.

AFRICA ^{2/}

Agricultural production for the entire continent of Africa in 1965 is estimated to have been about 1 percent above 1964.

Northern Africa ^{10/} Agricultural production in Northern Africa for 1965 registered a 3 percent gain over the record crop reported for last year. This record output is the result of both good weather and somewhat larger harvested acreage. For the fourth consecutive year agricultural production in this area has increased. However, production on a per capita basis has not risen significantly during the past seven years. On a country basis, only Libya and Tunisia failed to show an increase over the previous year's harvest while the United Arab Republic and Morocco had the greatest gain in output.

The 1965 production of cotton, the leading agricultural product of Northern Africa, in-

^{8/} This discussion on U.S. trade covers all of the Arabian peninsula in addition to the countries listed in footnote 7.

^{9/} The discussion is limited to 30 of the principal countries for which data are fairly complete. Statistics of U.S. trade relate to all countries in the Bureau of Census tables for Africa except The Canary and Madeira Islands, which are in the trade territory of Spain and Portugal, respectively.

^{10/} Discussion on agricultural production in Northern Africa covers 6 countries for which ERS calculates production indexes: Algeria, Libya, Morocco, Sudan, Tunisia, and the United Arab Republic.

creased to 706,000 metric tons, a gain of 7 percent over 1964. Other commodity gains in the area were reported for wheat, up about 15 percent from a year earlier to 4.8 million metric tons, and barley, up about 5 percent. Production of corn, citrus, oilseeds, pulses, sugar, and vegetable crops are estimated at average to slightly above average levels. On the other hand, olive oil is placed at only 65 percent of the previous year's level.

The United Arab Republic, accounting for roughly half of the agricultural output and 40 percent of the population of Northern Africa, heavily influences the agricultural situation of the region. In 1965, the U.A.R.'s farm output increased about 4 percent over the previous year. Its dominant crop, cotton, increased some 8 percent to 544,000 metric tons--an all-time high. Furthermore the U.A.R.'s 1965 rice crop reached a new high of 2.3 million metric tons. This is a 13 percent increase over the previous year and an 85 percent increase over the level of 10 years ago.

With better than average crops, Northern Africa will have larger quantities of hard wheat, cotton, rice, and wine for export in the coming months. Surplus wine has become an acute problem in Tunisia and international marketing difficulties are mounting for some other commodities from the region. To a large extent, the longer-range outlook for the area's agricultural exports depend upon the degree of association it can establish with the European Common Market.

In spite of rising agricultural output, Northern Africa remains a net food-deficit area. Approximately 3 million metric tons of breadgrains, along with some dairy products and vegetable oils, will be needed during 1966 if present levels of food consumption are to be maintained. Largest deficits are reported for the United Arab Republic, whose needs account for about two-thirds of the breadgrain deficit.

Predominately wheat and flour, U.S. agricultural exports to the 6 countries of Northern Africa totaled \$227.5 million in the year ending June 30, 1965--down a little more than 10 percent from the previous year. Approximately 60 percent of this amount went to the U.A.R., principally under special U.S. Government programs. Because of the area's general shortage of foreign exchange, the major portion of the U.S. agricultural products going to the other North African countries were also under government programs. The outlook for exports of U.S. agricultural products to Northern Africa in 1965/66 hinges upon whether or not there is a new P.L. 480 program with the U.A.R. and the size of such program. A program commensurate with the U.A.R.'s needs would produce record exports to the region.

United States imports of agricultural items from Northern Africa are not large and amounted to only \$21 million in the year ending June 30, 1965.

Africa South of the Sahara ^{11/}: Weather conditions in Africa south of the Sahara were reasonably favorable for crops and livestock during 1965 with total production approximately 1 percent greater than in 1964, a good year. Production was adversely affected by drought in the Republic of South Africa and by the partial failure of the "long rains" in East Africa in April and May, 1965. Most of the rest of the huge area South of the Sahara had adequate rains and supplies of subsistence crops--corn, sorghum, cassava, yams, plantains, and others--have been sufficient to feed the population. There were some increases in imports of food to add variety and nutrition to the diet. There have been some special shipments of food, primarily under the Food for Peace program, to feed hungry people in certain areas, particularly the Congo (Leopoldville).

^{11/} In this report, Ethiopia, Somali Republic, and French Somaliland are included with Africa South of the Sahara. In prior years they were dealt with in the Northern Africa section.

The 1964 crop of 1,188,000 metric tons of cocoa beans in Africa was the largest on record, by far, and caused cocoa bean prices in world markets to fall to their lowest levels since 1946. In many countries, prices paid to producers are controlled or supported by quasi-official boards. The low world price has caused most of these organizations to reduce their fixed season prices. Ghana, for instance, has reduced the fixed season price from 54 shillings per head load of 60 pounds (12.6 U.S. cents per pound) for the 1964 main crop to 40 shillings per head load (9.3 cents per pound) for the 1965 main crop.

The 1965 African cocoa bean crop of 1,065,000 metric tons was down about 10 percent from the previous season but was still the second largest crop of record.

The 1965 coffee crop in Africa, according to preliminary estimates, will total 17,751,000 bags (1,065,000 metric tons), 8 percent larger than the 1964 crop of 16,402,000 bags (984,000 metric tons). The Ivory Coast, Africa's largest coffee grower, expects a record crop of 4,500,000 bags (270,000 metric tons). The crop in Angola will be down about 3 percent and is expected to total about 3,100,000 bags (186,000 metric tons). Some African countries, particularly the Ivory Coast, are finding it difficult to live with their assigned quotas under the International Coffee Agreement and, as a result, serious stock problems are developing.

Peanut production in Africa was up in 1965. Production in Nigeria was up about 8 percent, going from 1,234,000 metric tons in 1964 to 1,338,000 metric tons in 1965. In Senegal, the crop was up about 2 percent from the previous year. Nigeria and Senegal are the world's largest exporters of peanuts.

In late 1965, a rather critical situation prevailed with regard to the independence of Rhodesia (formerly Southern Rhodesia, one of the three partners in the Federation of Rhodesia and Nyasaland). As a result of that country's Unilateral Declaration of Independence (UDI)

on November 11, 1965, the export pattern of its important tobacco crop may be changed because of economic sanctions (trade boycotts).

While scattered pockets of rebel resistance still remain on the eastern border of the Republic of the Congo (Leopoldville), the overall political situation is a great deal better than it was a year ago. Revived production of subsistence and export crops is expected.

Investments by the European Development Fund of the European Economic Community are being carried out in the 18 African countries which are associate members of the EEC. One of the more significant projects now being put into being with EDF money is a 79,000-acre oil palm project in the Ivory Coast. Clearing of land preparatory to planting has already started. When all of these high-yielding oil palms come into full bearing (by 1978) it is expected that about 100,000 metric tons of palm oil will be added to the production figures for Africa south of the Sahara.

In agricultural trade with Africa south of the Sahara, the United States maintains a decidedly unfavorable balance. For the year ending June 30, 1965, U.S. farm products exported to the region were valued at \$110.6 million, down roughly 7 percent from a year earlier, whereas U.S. agricultural imports from the region were valued at \$450.7 million, up only slightly from a year earlier.

Largest items in the U.S. exports were rice and wheat and wheat flour. The Republic of South Africa, with \$28.8 million (mainly rice) and the Congo (Leopoldville) with \$20.9 million were the United States' largest country markets of the region in fiscal year 1965. Coffee and cocoa accounted for nearly 85 percent of U.S. agricultural imports from the region. The most important suppliers of agricultural products were: Ethiopia, \$56.6 million; Ghana, \$54.1 million; Angola, \$48 million; and Ivory Coast, \$48 million.

FAR EAST, OCEANIA AND MAINLAND CHINA

Far East 12/: For the Far East region the world, agricultural output in 1965 was up only slightly from the previous year. On the other hand, population growth in recent years has averaged about 2.4 percent.

For South Asia (India, Pakistan, Afghanistan, Nepal and Ceylon) early indications are that food production in 1966 will be slightly below the record 1965 outturn. Less favorable weather and the military conflict between India and Pakistan both contribute to this outlook. Despite moderate gains in agricultural production, this region of some 640 million population is facing a growing food deficit. Rapid population growth combined with some slight improvement in the low average per capita caloric intake contribute to this growing deficit between production and consumption. Import requirements for food grains in 1966 will total at least 9 million metric tons if the present level of per capita consumption is to be maintained. Since the countries of this region have serious foreign exchange problems most of this volume must be obtained on concessional terms.

India, after harvesting a bumper grain crop in the spring of 1965, was plagued by the vicissitudes of weather. Inadequate rainfall during September and October resulted in reduced output of the fall and winter (1965/66) harvested grains, which account for about two-thirds of India's foodgrains. The production of rice (rough), the major foodgrain was down by at least 4 million metric tons. In addition, the drought delayed and retarded fall plantings of wheat, barley, and pulses. These grains are to be harvested in the spring of 1966. Although there could be some improvement in the growing conditions for the spring crops during early 1966, the severity of the drought last fall will most likely result in a smaller spring harvest than in 1965.

The sharply reduced fall grain harvest and poor prospects for the spring crop will add considerably more pressure to India's already tight foodgrain situation. The Central and State Governments are trying to counter this

situation with rationing, procurement, and emergency production programs.

The inevitability of lower domestic production of foodgrains during 1965/66 focused increased attention on India's import needs. It is expected that the import requirements in 1965/66 (July to June), to maintain per capita availabilities, will be at least as large as in the previous year (7.4 million metric tons). Whether the volume will exceed that level will depend upon the effectiveness of the rationing and procurement programs and the outturn of the spring harvested grains.

Already difficult distribution problems will be intensified not only as a result of a rapidly growing urban population, but also to compensate for the severe crop failure in some of the rural areas.

Pakistan's agricultural production is estimated to have reached an alltime high in 1965, an increase of 6 percent over the 1962-64 average. The accelerated growth rate of agricultural production during the last 5 years can be attributed to generally favorable weather conditions and a modest improvement in the use of basic agricultural inputs.

The total 1965 production of the two basic foodgrains, wheat and rice, is expected to register a net gain. Wheat production increased by about 430,000 metric tons over the previous year. However, this was somewhat offset by a shortfall of about 300,000 metric tons in the early rice crop. As a result, Pakistan's requirements for imported wheat for 1965 are not expected to differ greatly from the 1.8 million metric tons imported in 1964.

For the region of Southeast Asia (Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, South Vietnam and Thailand),

12/ The Far East includes the countries in South Asia, Southeast Asia, and Northeast Asia. No allowance is made for the agricultural production or trade of Bhutan, Macao, Mongolia, North Korea, North Vietnam, Ryukyu Islands, Sikkim or Tibet. Allowance is made for the trade of Hong Kong, but production is negligible and is not included.

production in 1965 was in general very good. Several countries enjoyed record harvests. Substantial production gains were recorded for corn in a number of countries. This region is historically noted for its export surplus of food, principally rice. Thailand and Burma are the big exporters. Nevertheless, 5 countries in the region--the Philippines, Indonesia, South Viet Nam, Malaysia, and Singapore--had to import rice in 1965. Political and other disturbing factors in the region are likely to be the cause for little or no gain in overall output in 1966. Among these factors are the war in Viet Nam, the internal struggle in Indonesia, Indonesia's military confrontation with Malaysia and the debilitating economic program of the Revolutionary Government of Burma.

Despite a slowdown in economic growth in Japan, the year 1965 was a prosperous one for the countries of Northeast Asia--Japan, South Korea, and the Republic of China. Weather for crop production was in general favorable and harvests were somewhat above the level of the previous year. Particularly noteworthy was the continued rapid expansion of the livestock industry in Japan and the consequent rapid increase in feed grain imports--principally corn from the United States. All three countries are substantial importers of agricultural commodities. Japan, which is by far the most industrialized country in Asia, must import about 20 percent of its total food requirements, all the cotton needed by its large textile industry, and the bulk of its feed grain needs. Japan is the leading foreign purchaser of U.S. farm products, spending some \$720 million in 1964.

The 1965 Far East rice crop is estimated at 140.1 million metric tons (rough rice basis) down nearly 3 percent from 1964. Most of the decline is accounted for by a shortfall in India, where the crop was down some 4 million metric tons or 7 percent. Exports in 1965 from the Rice Bowl countries (Burma, Thailand, Cambodia, Laos, and South Viet Nam) totaled nearly 4 million tons (milled rice basis) or about the same as in each of the previous 2 years. Exports from Thailand continued the upward trend of

recent years and the drying up of export supplies from South Viet Nam as a result of the war in that country has been partly counter-balanced by increased shipments from Cambodia.

Far Eastern wheat production was up 17 percent in 1965. India and Pakistan, which account for the bulk of the production in the region, both recorded substantial gains in their 1965 spring harvests. Barley and corn showed good regional increases but India's crop of millet and sorghum was down 6 percent. Production of copra and peanuts in the region was also down, while the output of sugarcane, pulses, cotton, and tea increased.

Prices for most important export commodities of the Far East declined moderately or remained relatively stable in 1965. However, the price of rice strengthened late in the year. Following a decline beginning in early 1960, rubber prices showed some strength from the fall of 1964 through the first half of 1965 but declined thereafter with some recent signs of steadying. Higher U.S. sugar prices during the principal 1965 Philippine sugar export season compared with a year earlier tended to offset the duty increase of \$2 per short ton for Philippine sugar entering the United States. This took effect at the beginning of 1965, as provided in the Revised U.S. -Philippine Trade Agreement of 1955. Also in the Philippines, copra and coconut oil prices continued the upward swing which has been underway for almost a decade. This trend was less pronounced for the region's other major exporters. Jute and burlap prices, having declined since 1961, have risen sharply from the low level reached in the second quarter of 1964. Tin prices have shown a moderate upward trend since early 1963.

Holdings of gold and foreign exchange by principal countries of the region for which data are available were estimated at about \$5.2 billion as of mid-1965, a decline of 2 percent from a year earlier. Most of the decline occurred in India and Pakistan with a smaller but more significant decline in the holdings of South Korea and South Viet Nam.

On the basis of incomplete data, exports of all commodities from Far Eastern countries in 1965 are estimated to be well above the 1964 level of \$14.8 billion. Exports in 1964 were 11.5 percent above the 1963 level. Japanese exports, mostly manufactured products, account for almost half of this trade. Principal exports of agricultural origin from the region include rubber, rice, tea, cotton, sugar, jute, spices, and other tropical agricultural products. Rice and cotton are important exports for a few countries, but these products go mostly to other Far East countries.

The United States is an important market for the region's products. U.S. imports of all commodities from the Far East in 1964 totaled \$3.3 billion; 54 percent came from Japan. Agricultural imports from the region reached \$729 million in 1964, up nearly 5 percent over 1963. Of this total some \$295 million came from the Philippines. The next largest supplier at \$120 million was Indonesia. Principal agricultural products imported into the United States from the region included rubber from Malaysia and Indonesia, sugar and coconut products from the Philippines, tea from Ceylon and India and spices and coffee from Indonesia.

Total merchandise imports into Far Eastern countries have for many years consistently exceeded exports from the region by a considerable margin. Imports rose sharply in 1964, reaching \$18.8 billion, up 8 percent from the previous year. The United States is a large supplier in Far Eastern markets. U.S. exports of all commodities to the region totaled \$4.6 billion in 1964, an increase of 8.6 percent over a year earlier. Exports of agricultural products increased 11 percent and totaled a record \$1.8 billion. Japan is the major commercial market. India, Pakistan, South Korea, the Republic of China, the Philippines, and Hong Kong also take large quantities of U.S. farm products and, except for the Philippines and Hong Kong, these countries depend heavily on sales under U.S. Government programs. Such sales to the Far East totaled \$885 million in 1964, or 50 percent of total U.S. agricultural exports to

the region that year. At the same time the Far East accounted for 50 percent of all sales under U.S. Government programs.

Mainland China: It is estimated that gross agricultural production in Mainland China in 1965 equaled or slightly exceeded that in 1964, but fell below the official goal of a 5 percent increase. The production of food was about the same as last year; smaller grain crops offset higher production of other food crops and livestock in the private sector. Although this is the fourth straight year in which crops have exceeded those in 1959-61, production of most agricultural commodities including livestock was still less than the level of 1957, officially claimed to be agriculture's best year. The output of grain in 1965 is estimated to be 3 to 5 percent below the 1957 officially claimed figure of 185 million tons.

Weather has varied from unfavorable in northern agricultural areas to very favorable in southern areas. In general, higher grain production in the south was not sufficient to overcome shortfalls in the north. The output of summer harvested grains was significantly less than in 1964, because increases in the early rice crop, although significant, were not sufficient to offset reductions in winter wheat and winter miscellaneous grains. Increased harvests of intermediate and late rice, on acreages equal to or slightly larger than those of 1964, appear insufficient to compensate for the reduction in fall harvested miscellaneous grains and potatoes.

Availability of per capita food supplies during 1965/66 -- including imported grain -- is expected to be slightly less than in the previous year, and will furnish only slightly more than 80 percent of the United Nations' estimated minimum requirements of 2,350 calories per person per day. The balance and the quality of the diet, however, has improved since 1959-61. This is mainly attributable to increased production of vegetables and livestock products on the peasants' private plots. The regime's stepped-up Socialist Education Movement -- an

effort to stimulate greater peasant participation -- has not borne fruit. The Government has been forced to continue spending large amounts of valuable foreign exchange on imports of food to bolster its limited food supplies. Imports of grain in 1965/66 will exceed 6.5 million metric tons if present commitments are filled. These record imports along with the long-term commitment to purchase grain from Canada and continued offers to purchase grain from other exporting countries indicate that Mainland China will continue to import large quantities of grain for the next several years.

Production of other crops in 1965 was mixed. Soybean production was reduced by the drought in the north and peanuts apparently fared little better since smaller yields offset increased acreages. Winter rapeseed made gains compared to 1964 as did tung nuts, which have received special attention in recent years. Production of tobacco and fibers other than cotton likely exceeded 1964's good harvest. The output of sugar also is believed to be up, as the result of a substantial increase in acreage and yield of sugarcane in Kwangtung and Szechwan Provinces.

Lower yields, due to drought in the northern portion of the cotton area, limited production in 1965 to a slight gain compared to the 1964 crop. Acreage of cotton, Mainland China's most important industrial crop still remains well below that in 1957, because of shifts to food crops. Availability of cotton products for domestic use or for export, however, increased substantially as a result of the final payment to the USSR for economic aid. This debt was largely repaid with cotton goods.

Oceania 13/: The overall economic outlook for the countries of this region appears quite favorable for 1966. However, farm production and agricultural export prospects for the 2 major countries, Australia and New Zealand, contrast rather sharply. Widespread droughts will sharply curtail 1965/66 harvests in Australia. On the other hand, the production of agricultural commodities in New Zealand will probably be up for 1965/66.

The gross value of Australia's farm production for 1965/66 is estimated at about \$3.5 billion as compared with \$3.8 billion for 1964/65. Indications are that wheat, barley, oats, and corn harvests will all be lower than in 1964/65 as a result of drought conditions in southern Queensland and several parts of New South Wales. Wheat plantings have increased sharply in recent years but the 1965/66 harvest is estimated at 7.5 million metric tons, down sharply from last season and the smallest crop since 1961/62. Practically all of this season's harvest is already committed for export. Flaxseed production is sharply down. On the other hand, some increase in production is expected for rice, sugar, and cotton. Significant declines are expected in meat and wool output in 1965/66 due to sheep and cattle losses resulting from poor pasture conditions in the Northern Territory and western Queensland.

In New Zealand, where the economy is largely centered around livestock, total volume of meat production is estimated at 9 percent above the 1964/65 level, largely as a result of increases in beef and veal and mutton and lamb. Wool output is expected to be up about 3 percent. Long-run prospects for increased wool, meat and dairy production and exports are quite good. As a result, farmers have been encouraged to expand output.

Sharp declines in exports of wheat and meats are indicated for Australia in 1965/66. Wool shipments, on the other hand, will probably be about the same as in 1964/65. Sugar exports are expected to show an increase of more than 10 percent.

Despite lower export prices for wool, butter, and cheese, it is anticipated that New Zealand's total export receipts for 1965/66 will equal if not exceed the \$1 billion total value of exports attained in 1964/65. Increased dairy product exports and higher export prices for dried skim milk and casein will likely more than counteract some decline in butter and cheese prices.

13/ Includes Australia and New Zealand only.



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